BAHRAIN TELECOMMUNICATIONS COMPANY BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

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CHAIRMAN'S REPORT
for the year ended 31 December 2009

On behalf of the Board of Directors, it gives me great pleasure to present the 28th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2009.

Batelco's strategy in delivering a full range of communications services that offer the widest choices for customers in Bahrain, and growing in regional markets, were the major factors in the Company's strong overall performance for 2009.

Highest Ever Net Profit

We are very pleased to have delivered the Group's highest ever gross revenues, totalling BD346.9 million ($920.2 m) a solid 9% growth year-on-year, and its highest ever net profit of BD105 million ($278.5 m).
Net revenues grew by 8% to BD268.7million ($712.7 m) and earnings per share remained steady at 72.9 fils compared to 72.4 fils in 2008.

This sound set of figures were achieved by the successful uptake of world-class products and services, coupled with competitive offers and a diligent approach to cost containment across all our operations.

Proposed Appropriations

The net profit of the Batelco Group before appropriations amounted to BD105 million. Based on these financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2009.

BD millions	**2009**	2008
Final dividends proposed	43.2	43.2
Interim dividends paid	28.8	28.8
Donations at 2.5%	2.6	2.6
Directors' remuneration	0.4	0.4

Auditors

The Board of Directors will recommend the re-appointment of KPMG as Batelco's auditors for the financial year ending 31st December 2010.

I want to take this opportunity to send a huge vote of thanks to the Kingdom of Bahrain's leadership on behalf of the Board of Directors, our management and our employees. The ongoing support extended by His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince & Deputy Supreme Commander, is greatly valued by all companies in Bahrain including Batelco.

Our Dedicated Teams continue to excel

I am, as always, grateful to our customers for their loyalty that keeps us in our leading position in Bahrain, in spite of extensive competition. We are fully committed to delivering to them first class products and services throughout 2010. Thank you also to our shareholders for their unstinting support.

Congratulations to our employees at all levels who give life to our strategies and go the extra mile to ensure a world class customer experience. The 2009 financial results prove that Batelco's senior leadership have the correct operational strategies as well as the right people in place, to not only meet our targets but exceed them. I offer my heartfelt thanks to the entire Batelco workforce for their efforts toward our ongoing success.

CHAIRMAN'S REPORT
for the year ended 31 December 2009

Group Operations

In 2009 we embarked on creating a Group operating organizational structure to deliver Batelco's geographic expansion and business diversification. This initiative includes the creation of a closed stock company, 100% owned subsidiary of Bahrain Telecommunications Company BSC. This company will manage all our telecommunications operations within Bahrain. This new company will be formally established in 2010.

Keeping Our Community Close

Batelco's Corporate Social Responsibility is of prime importance and we are very proud that our sponsorships and donations are playing a very big and positive part in the lives of Bahrainis all over the Kingdom.

During 2009, we committed over BD4 million towards a diverse range of worthwhile initiatives which included our annual commitment to the BDF Cardiac Centre and Al Hekma Society for the Retired. Other recipients were thousands of families across the entire country who received one of our 22,000 Ramadan Baskets which we delivered to regional charities for distribution. Our donations also contributed to the challenging task of support the H1N1 initiative led by the Ministry of Health. In support of education, we continued to support the Crown Princes' Scholarship Fund which provides for 3rd level educational opportunities in leading international universities, for some of Bahrain's brightest students.

We have rolled out our new Brand look and feel at the end of 2009 and look forward to delivering on our promise to enhance the lives of residents of Bahrain everyday. We also look forward to growing the fine reputation that we are building for the Batelco Group across the Middle East region, Africa and Asia.

Hamad bin Abdulla Al-Khalifa
Chairman of the Board
Bahrain Telecommunications Company (B.S.C.)

Independent auditors' report to the shareholders
Bahrain Telecommunications Company BSC 28 January 2010
Manama, Kingdom of Bahrain

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the directors for the financial statements
The Directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 2009, and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
In addition, in our opinion, the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Chairman and confirm that the information contained therein is consistent with the consolidated financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001 or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2009 BD'000

	Note	2009	2008
ASSETS			
Non-current assets			
Property and equipment	6	196,019	206,686
Goodwill	7	125,129	125,317
Intangible assets	8	31,793	35,439
Investment in associates	9	148,388	85,583
Available for sale investments	10	29,608	32,397
Total non-current assets		**530,937**	485,422
Current assets			
Inventories		2,519	3,115
Available for sale investments	10	5,136	2,666
Trade and other receivables	11	58,084	70,048
Cash and cash equivalents		76,400	153,540
Total current assets		**142,139**	229,369
Total assets		**673,076**	714,791
EQUITY AND LIABILITIES			
Equity			
Share capital	16	144,000	144,000
Statutory reserve	17	75,364	74,208
General reserve	17	15,000	15,000
Foreign currency translation reserve		168	(884)
Investments fair value reserve	10	9,457	288
Retained earnings		249,334	219,653
Total equity attributable to equity holders of the parent Company		**493,323**	452,265
Non-controlling interest		**10,731**	10,648
Total equity (Page 7)		**504,054**	462,913
Non-current liabilities			
Trade and other payables	12	9,841	11,964
Non-current portion of bank borrowings	14	-	38,671
Total non-current liabilities		**9,841**	50,635
Current liabilities			
Trade and other payables	12	122,612	126,486
Current portion of bank borrowings	14	36,569	74,757
Total current liabilities		**159,181**	201,243
Total liabilities		**169,022**	251,878
Total equity and liabilities		**673,076**	714,791

The consolidated financial statements, which consist of pages 4 to 42 were approved by the Board of Directors on 28 January 2010 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009 BD'000

	Note	2009	2008
Revenue	19	**346,940**	319,076
Finance and other income	20	2,966	13,783
Share of profit of associates (net)	9	1,185	3,592
Total income		**351,091**	336,451
Network operating expenses	21	(103,895)	(93,013)
Staff cost		(47,470)	(48,617)
Depreciation and amortisation		(41,344)	(44,292)
General and administrative expenses	22	(45,245)	(34,378)
Finance expenses	23	(1,383)	(6,040)
Total expenses		**(239,337)**	(226,340)
Profit before income tax		**111,754**	110,111
Income tax expense		(2,936)	(2,210)
Profit for the year		**108,818**	107,901
Other comprehensive income			
Foreign currency translation differences for foreign operations		697	(2,219)
Investments fair value changes		9,169	(1,307)
Other comprehensive income for the year		**9,866**	(3,526)
Total comprehensive income for the year		**118,684**	104,375
Profit for the year attributable to:			
Equity holders of the parent company		105,041	104,207
Non-controlling interest		3,777	3,694
		108,818	107,901
Total comprehensive income attributable to:			
Equity holders of the parent company		115,252	101,458
Non-controlling interest		3,432	2,917
		118,684	104,375
Basic earnings per share (Fils)	24	**72.9**	72.4

The consolidated financial statements, which consist of pages 4 to 42 were approved by the Board of Directors on 28 January 2010 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Sh. Mohamed bin Isa Al Khalifa
Deputy Chairman

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009 BD'000

	2009	2008
Operating activities		
Cash receipts from customers	313,710	303,978
Net cash paid to suppliers	(106,306)	(110,122)
Cash paid to and on behalf of employees	(45,197)	(47,824)
Cash flows from operating activities	**162,207**	146,032
Investing activities		
Acquisition of plant and equipment	(34,503)	(45,910)
Investment in associate	(66,459)	(21,691)
Proceeds from sale of land	-	7,513
Acquisition of equity investment	-	(15,081)
Acquisition of non controlling interest in a subsidiary	-	(1,130)
Dividend received from associate	6,381	2,146
Refund of investment advance	1,990	-
Net proceeds from sale and maturity of investments	6,884	4,053
Interest and investment income received	4,008	7,067
Cash flows from investing activities	**(81,699)**	(63,033)
Financing activities		
Dividend paid	(74,931)	(55,983)
Interest paid	(2,529)	(7,064)
Borrowing (repaid)	(76,908)	(77,256)
Payments to charities	(3,280)	(2,813)
Cash flows from financing activities	**(157,648)**	(143,116)
Decrease in cash and cash equivalents	**(77,140)**	(60,117)
Cash and cash equivalents at 1 January	153,540	213,657
Cash and cash equivalents at 31 December	**76,400**	153,540

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

BD'000

2009	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total	Non - controlling interest	Total equity
	Equity attributable to equity holders of the parent Company								
At 1 January 2009	144,000	74,208	15,000	(884)	288	219,653	452,265	10,648	462,913
Profit for the year	-	-	-	-	-	105,041	105,041	3,777	108,818
Other comprehensive income									
Foreign currency translation differences	-	-	-	1,042	-	-	1,042	(345)	697
Net changes in fair value of investments	-	-	-	-	9,169	-	9,169	-	9,169
Total other comprehensive income	-	-	-	1,042	9,169	-	10,211	(345)	9,866
Total comprehensive income for the year	-	-	-	**1,042**	**9,169**	**105,041**	**115,252**	**3,432**	**118,684**
Final dividends declared for 2008	-	-	-	-	-	(43,200)	(43,200)	-	(43,200)
Donations declared for 2008	-	-	-	-	-	(2,605)	(2,605)	-	(2,605)
Directors' remuneration declared for 2008	-	-	-	-	-	(385)	(385)	-	(385)
Transfer to statutory reserve (2009)	-	1,146	-	-	-	(1,146)	-	-	-
Interim dividends declared for 2009	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Regrouping of balances	-	10	-	10	-	776	796	(796)	-
Dividends to non-controlling interest	-	-	-	-	-	-	-	(2,553)	(2,553)
At 31 December 2009	**144,000**	**75,364**	**15,000**	**168**	**9,457**	**249,334**	**493,323**	**10,731**	**504,054**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009 BD'000

	Equity attributable to equity holders of the parent Company							Non - controlling interest	Total equity
2008	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Retained earnings	Total		
At 1 January 2008	120,000	68,434	15,000	558	1,595	200,942	406,529	10,277	416,806
Profit for the year	-	-	-	-	-	104,207	104,207	3,694	107,901
Other comprehensive income									
Foreign currency translation differences	-	-	-	(1,442)	-	-	(1,442)	(777)	(2,219)
Net changes in fair value of investments	-	-	-	-	(1,307)	-	(1,307)	-	(1,307)
Total other comprehensive income	-	-	-	(1,442)	(1,307)	-	(2,749)	(777)	(3,526)
Total comprehensive income for the year	-	-	-	(1,442)	(1,307)	104,207	101,458	2,917	104,375
Final dividends declared for 2007	-	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Bonus issue declared for 2007	24,000	-	-	-	-	(24,000)	-	-	-
Donations declared for 2007	-	-	-	-	-	(2,537)	(2,537)	-	(2,537)
Directors' remuneration declared for 2007	-	-	-	-	-	(385)	(385)	-	(385)
Transfer to statutory reserve (2007)	-	5,774	-	-	-	(5,774)	-	-	-
Interim dividends declared for 2008	-	-	-	-	-	(28,800)	(28,800)	-	(28,800)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(2,353)	(2,353)
Acquisition of non controlling interest in a subsidiary	-	-	-	-	-	-	-	(193)	(193)
At 31 December 2008	144,000	74,208	15,000	(884)	288	219,653	452,265	10,648	462,913

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

1. Background and activities

Bahrain Telecommunications Company BSC ("the Company") is a public shareholding company registered 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 2009 comprise the financial statements of the Company, and its subsidiaries and its associate (collectively "the Group"). The registered office of the Company is PO Box 14, in Manama, Kingdom of Bahrain. The subsidiaries and associates of the Group included in these consolidated financial statements are as follows:

Company	**Country of incorporation**	**Shareholding (%)**
Subsidiaries		
Batelco Middle East Company SPC	Kingdom of Bahrain	100%
Arabian Network Information Services WLL	Kingdom of Bahrain	100%
Umniah Mobile Company PSC	Kingdom of Jordan	96%
Batelco Jordan PSC (held by Umniah Mobile Company PSC)	Kingdom of Jordan	96%
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	100%
Qualitynet General Trading and Contracting Company WLL	State of Kuwait	44%
BMIC Limited ("BMIC") (refer to note 9)	Mauritius	100%
Associates		
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	26.94%
STEL Private Limited (refer to note 9)	India	42.7%

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the Bahrain Commercial Company Law 2001 and Central Bank of Bahrain's Disclosure Standards. The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the Group's entities other than the changes as stated below.

Standards, amendments and interpretations effective from 1 January 2009

i. Improvements to IFRS (issued in May 2008)

Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the International Accounting Standards Board 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. The amendments effective for annual periods beginning on or after 1 January 2009 have been adopted by the Group and no material changes to accounting policies arose as a result of these amendments.

ii. Other changes applicable to the Group

During the year, the Group adopted Revised IAS 1 "Presentation of Financial Statements" on its required application date 1 January 2009. Revised IAS 1 introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either 1) a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or 2) in an income statement and a separate statement of comprehensive income.

2 Basis of preparation (continued)
a. Statement of compliance (continued)

ii. Other changes applicable to the Group (continued)
The Group has opted to present the total comprehensive income in a single statement – a consolidated statement of comprehensive income. The adoption of revised IAS 1 impacted the type and amount of disclosures made in the consolidated financial statements, but had no impact on the reported profits or the financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

IFRS 8 "Operating Segments" is applicable for periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting which requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The Group's line of business is provision of public telecommunications and associated products and services. Operating segment disclosure is set out in note 28.

The Group has applied improving disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments. The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments. Revised disclosures in respect of fair values of financial instruments are included in note 4(c).

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called. Revised disclosures in respect of liquidity risk are included in note 4(b).

During the year, the Board of Directors approved the classification of certain land in its property at Hamala as investment property. The Company has opted for the cost model option under IAS 40 "Investment Property" for accounting for the investment property. Disclosures in respect of investment property are included in note 6.

There were no other changes to the accounting policies and risk management framework as set out in the consolidated financial statements for the year ended 31 December 2008.

b. Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention except for available for sale investments that are stated at their fair values.

2 Basis of preparation (continued)

c. Use of estimates and judgments

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

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

- Note 10 – fair valuation of certain available for sale investments;
- Note 3 (h) – Valuation of investments;
- Note 3 (m) – Provisions;
- Note 3 (n) – Impairment;
- Note 3 (r) – utilization of tax losses; and
- Note 7 – measurement of the recoverable amounts of cash-generating units.

3. Significant accounting policies

a. Basis of consolidation

i) Subsidiaries

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

ii) Investments 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 percent 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 associate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

iii) Acquisitions of entities under common control

Business combinations arising from transfer of interest in entity that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. Any cash paid for the acquisition is recognised directly in equity.

iv) Transactions eliminated on consolidation

All material intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign currency

i) Functional and presentation currency

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

ii) Foreign currency transactions

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

iii) Financial statements of foreign operations

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

c. Property and equipment

i) Recognition and initial measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost includes expenditures that are directly attributable to the acquisition cost of the asset. The cost of self constructed assets includes the cost of materials, direct labour and any costs that are directly attributable to bringing an asset to its working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

c. Property and equipment (continued)

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 net within other income in profit or loss.

ii) Subsequent expenditure

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

iii) Depreciation

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

Buildings	25 years
Network assets and telecom equipment	3 to 25 years
Motor vehicles, furniture, fittings and office equipment	2 to 10 years

Depreciation methods, useful lives and residual values, are reassessed and adjusted, if appropriate, at the financial 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. Lease liabilities are reduced by the repayment of principal amount while the finance charge component of the lease payment is charged directly to the profit or loss. Lease payments are allocated between lease finance cost and capital repayments using the effective interest method.

ii) Operating leases

All other leases are considered as operating leases. Payments made in respect of operating leases are expensed to the profit or loss over the lease period.

f. Goodwill

i) Recognition and initial measurement

Goodwill arises on acquisition of subsidiaries, other entities controlled by the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)
f. Goodwill (continued)

ii) Acquisitions of non controlling interests
Goodwill arising on the acquisition of a non controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

iii) Subsequent measurement
Goodwill is not subject to amortisation but is tested for impairment and is measured at cost less accumulated impairment losses, if any. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

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

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

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

License fees	7 to 13 years
Trade name and other assets	3 to 13 years

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

h. Financial instruments

i) *Financial instruments*
Financial instruments comprise available for sale investments, trade receivables, unbilled revenues, amounts due from telecommunications operators, cash and cash equivalents, bank borrowings, amounts due to telecommunications operators and trade payables. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

iii) *Share capital*

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

iv) *Classification of financial instruments*

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

31 December 2009	**Loans and receivables BD'000**	**Available-for-sale BD'000**	**Others at amortised cost BD'000**	**Total carrying amount BD'000**
Available for sale investments	-	34,744	-	34,744
Trade receivables	38,037	-	-	38,037
Unbilled revenues	4,402	-	-	4,402
Amounts due from telecommunications operators	6,959	-	-	6,959
Cash and cash equivalents	76,400	-	-	76,400
	125,798	**34,744**	**-**	**160,542**
Finance lease liabilities	306	-	-	306
Borrowings	-	-	36,569	36,569
Trade payables	-	-	32,229	32,229
Amounts due to telecommunications operators	-	-	13,455	13,455
Current tax liability	-	-	4,130	4,130
	306	**-**	**86,383**	**86,689**

31 December 2008	Loans and receivables BD'000	Available-for-sale BD'000	Others at amortised cost BD'000	Total carrying amount BD'000
Available for sale investments	-	35,063	-	35,063
Trade receivables	36,928	-	-	36,928
Unbilled revenues	8,836	-	-	8,836
Amounts due from telecommunications operators	15,645	-	-	15,645
Cash and cash equivalents	153,540	-	-	153,540
	214,949	35,063	-	250,012
Finance lease liabilities	118	-	-	118
Borrowings	-	-	113,428	113,428
Trade payables	-	-	38,193	38,193
Amounts due to telecommunications operators	-	-	19,424	19,424
Current tax liability	-	-	2,819	2,819
	118	-	173,864	173,982

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008

3 Significant accounting policies (continued)

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. Those items of inventory that are held for the expansion of the telecommunications network are classified as property and equipment.

j. 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. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible. The fair value of trade and other receivables is estimated as the present value of future cash flows at the reporting date.

k. Cash and cash equivalents

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

l. 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, is calculated based on the present value of future cash flows at the reporting date.

m. 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 financial year end and are discounted to present value where the effect is material.

n. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

i) Financial assets (continued)

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

ii) Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

o. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

o. Employee benefits (continued)

iii) Employee savings scheme
The Group has a voluntary employees saving scheme. The employees and employers contribute monthly on a fixed-percentage-of-salaries-basis to the scheme.

p. Interest bearing borrowings
Interest bearing borrowings are recognized initially at fair value of the amounts borrowed, less related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the profit or loss over the period of borrowings.

q. Finance income and expenses
i) Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method.
ii) Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

r. Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

s. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

3 Significant accounting policies (continued)

s. Revenue (continued)

Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in the profit or loss. Revenue from 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.

t. 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.

u. 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 28).

4. Financial instruments and risk management

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

- Credit risk;
- Liquidity risk; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 Financial instruments and risk management (continued)

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

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, international telecommunication operators and investment securities.

Trade receivables

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

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

Investments

The Group manages credit risk on its investments by ensuring that investments 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. Management does not expect any counterparty to fail to meet its obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 Financial instruments and risk management (continued)

Exposure to credit risk

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

	2009 BD'000	2008 BD'000
Investments	34,744	35,063
Trade receivables	38,037	36,928
Unbilled revenues	4,402	8,836
Amounts due from telecommunications operators	6,959	15,645
Cash and cash equivalents	76,400	153,540
	160,542	250,012

Trade receivables

The maximum exposure to credit risk at 31 December 2009 classified by operating segment sharing common economic characteristics with respect to credit risk is as follows:

Operating segment	**2009 BD'000**	2008 BD'000
Bahrain	26,036	24,070
Jordan	3,240	1,668
Other countries	8,761	11,190
	38,037	36,928

Amounts due from telecommunications operators

The maximum exposure to credit risk for amount due from telecommunications operators at 31 December 2009 by type of customer was:

Customer segment	**2009 BD'000**	2008 BD'000
International operators	1,974	2,019
Local operators	4,985	13,626
	6,959	15,645

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. The Group also borrows funds from the banks to meet its liquidity requirements in the normal course of business. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. A major portion of the Group's funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 *Financial instruments and risk management (continued)*

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

Non derivative financial liabilities at 31 December 2009	**Carrying amount BD'000**	**Contractual cash flows BD'000**	**Within one year BD'000**	**1-2 years BD'000**	**2-5 years BD'000**
Finance lease liabilities	306	311	143	146	22
Unsecured borrowing	36,569	36,625	36,625	-	-
Trade payables	32,229	32,229	27,862	1,788	2,579
Amount due to telecommunications operators	13,455	13,455	13,455	-	-
Current tax liability	4,130	4,130	4,130	-	-
	86,689	**86,750**	**82,215**	**1,934**	**2,601**

Non derivative financial liabilities at 31 December 2008	Carrying amount BD'000	Contractual cash flows BD'000	Within one year BD'000	1-2 years BD'000	2-5 years BD'000
Finance lease liabilities	118	176	39	39	98
Unsecured borrowings	113,428	115,411	76,377	38,085	949
Trade payables	38,193	38,193	32,187	3,160	2,846
Amount due to telecommunications operators	19,424	19,424	19,424	-	-
Current tax liability	2,819	2,819	2,819	-	-
	173,982	176,023	130,846	41,284	3,893

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.

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 has substantial purchases from foreign suppliers and deals with international telecommunication operators. In addition, the Company has US Dollar denominated loan. The Group's currency risk is related to changes in exchange rates applicable to the settlements in foreign currencies. The Group's exposure to currency risk is limited as the majority of its investments, dues to and from international operators and borrowings 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 is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar, (which is pegged to the US Dollar), Kuwaiti Dinar and Jordanian Dinar. The Group's exposure to such other currencies in which these transactions primarily occur are in US Dollar, and Euro. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily the Bahraini Dinar. This provides an economic hedge and no derivatives are entered into.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2008

4 Financial instruments and risk management (continued)
c. Market risk (continued)

Currency risk (continued)
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 and repayment of loan.

These amounts are placed 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. The Bahraini Dinar and Jordanian Dinar are pegged to the US Dollar, thus currency risks occur only in respect of other currencies. As the net exposure to other currencies is insignificant the Group believes that foreign currency risk is immaterial. 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.

The Group's exposure to foreign currency risk as at 31 December 2009 was as follows based on notional amounts:

	2009 BD'000			2008 BD'000		
	USD	KWD	JOD	USD	KWD	JOD
Assets	33,345	33,851	89,192	108,075	36,524	102,804
Liabilities	(47,823)	(18,373)	(52,488)	(129,971)	(22,112)	(60,411)
Net Statement of Financial Position Exposure	**(14,478)**	**15,478**	**36,704**	(21,896)	14,412	42,393

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
BD	**2009**	2008	**2009**	2008
1 USD	0.3770	0.3770	0.3770	0.3770
1 KWD	1.3047	1.4007	1.3130	1.3639
1 JOD	0.5316	0.5329	0.5321	0.5332

Sensitivity analysis
A 10 percent strengthening of the BD against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008. A 10 percent weakening of the BD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 Financial instruments and risk management (continued)
c. Market risk (continued)

	Equity BD'000	**Profit or (loss) BD'000**
31 December 2009		
USD	-	1,448
KWD	(1,548)	-
JOD	(3,670)	-
31 December 2008		
USD	-	2,190
KWD	(1,441)	-
JOD	(4,239)	-

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. The Group is exposed to interest rate risk on its fixed deposits and its borrowings. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from short-term bank deposits during 2009 was 1.18% (2008: 2.4%). The weighted average effective interest rate at the reporting date for the Group's borrowings for 2009 was 1.34% (2008: 3.97%). The Group also bears 75% of the interest on Bahraini staff housing loans.

The total loans should not exceed BD 10 million at any time and the agreed interest rate applicable is 1 year-BIBOR plus 1% on the loan balance. The BIBOR rate for the whole year is fixed on the first working day in January every year. The agreed interest rate for 2009 was 3.175% and that for 2008 was 5.37%.

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

	2009 BD'000	2008 BD'000
Fixed rate instruments		
Financial assets	-	446
Financial liabilities	306	118
Variable rate instruments		
Financial assets	9,525	17,330
Financial liabilities	36,569	113,428

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 Financial instruments and risk management (continued)
c. Market risk (continued)

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 798,000 (2008: BD 1,548,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

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

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

The table below analyses financial instruments measured at fair value at the end of 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2009 BD'000	2008 BD'000
Available for sale investments		
Investment securities fair valued at level 1	**24,995**	6,002

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) (ii) for accounting policies on valuation of AFS investments and note 3 (n) (i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 Financial instruments and risk management (continued)

d. Capital management

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

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

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

5. New international financial reporting standards and interpretations not yet effective

<u>Improvements to IFRS (issued in April 2009)</u>

Improvements to IFRS issued in April 2009 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. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

<u>Other changes</u>

During the year, the following new / amended IFRS's standards and interpretations relevant to the activities of the Group have been issued which are not yet mandatory for adoption by the Group:

- Amended IAS 27 Consolidated and Separate Financial Statements – effective for annual periods commencing on or after 1 July 2009
- Revised IFRS 3 Business Combinations – effective for annual periods commencing on or after 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners – effective for annual periods commencing on or after 1 July 2009
- IAS 24 Related Party Disclosures (revised) – effective for annual periods commencing on or after 1 January 2011
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction – effective for annual periods commencing on or after 1 January 2011

The adoption of these standards and interpretations are not expected to have material impact on the financial statements.

- IFRS 9 Financial Instruments – effective for annual periods commencing on or after 1 January 2013

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

6. Property and equipment

	Freehold land BD'000	Buildings BD'000	Network assets and telecom equipment BD'000	Motor vehicles, furniture, fittings and office equipment BD'000	Projects in progress BD'000	Total 2009 BD'000	Total 2008 BD'000
Cost							
At 1 January	19,240	52,571	403,433	36,181	15,844	527,269	497,718
Additions	(412)	8	14,455	2,331	9,973	26,355	38,417
Projects completed	-	120	12,293	892	(13,863)	(558)	(742)
Disposals	-	(218)	(13,454)	(1,124)	(51)	(14,847)	(8,124)
At 31 December	**18,828**	**52,481**	**416,727**	**38,280**	**11,903**	**538,219**	527,269
Depreciation							
At 1 January	-	44,166	248,956	27,461	-	320,583	288,071
Charge for the year	-	1,019	32,672	2,866	-	36,557	39,169
Disposals	-	(172)	(13,678)	(1,090)	-	(14,940)	(6,657)
At 31 December	**-**	**45,013**	**267,950**	**29,237**	**-**	**342,200**	320,583
Net book value							
At 31 December 2009	**18,828**	**7,468**	**148,777**	**9,043**	**11,903**	**196,019**	206,686
At 31 December 2008	19,240	8,405	154,477	8,720	15,844	206,686	

During the year, the Board of Directors approved the classification of certain land in its property at Hamala as investment property with a carrying value of BD 44 thousand. The above land is presently included in freehold land. The Company has opted for the cost model option under IAS 40 "Investment Property" for accounting for the investment property. The fair value of the property was determined by a registered independent appraiser having an appropriate recognised professional qualification and experience in the location and category of the property being valued. The fair value of the investment property as at 31 December 2009 as estimated by the external valuer was BD 9,600 thousand. Fair values were determined having regard to recent market transactions for similar properties as the Group's investment property.

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

7. Goodwill

	2009 BD'000	2008 BD'000
Cost		
At 1 January	125,317	124,380
Add: Acquisitions through business combination (Note ii)	-	937
Less: adjustment on account of exchange rate fluctuations	(188)	-
At 31 December	**125,129**	125,317

i) In 2006, the Company acquired a 96% stake in Umniah Mobile Company PSC ("Umniah") which offers mobile phone services in the Kingdom of Jordan. In accordance with IFRS 3, 'Business Combinations', the acquisition was accounted for by applying the purchase method. The excess of the purchase consideration paid over the fair values of net assets acquired on 28 June 2006 resulted in recognition of goodwill (BD 124.3 million) and intangible assets (BD 33.3 million) relating to the acquisition.

ii) On 29 July 2008, Umniah Mobile Company acquired 100% of the equity of Batelco Jordan ("BJ") from Batelco Middle East Company (BMEC), a wholly owned subsidiary company of Batelco holding 80% of the equity in BJ and minority shareholders of BJ for a total consideration of BD 2.234 million. The acquisition from minority shareholders was accounted for by applying the purchases method. The excess of the purchase consideration paid over the fair values of the net assets acquired on 29 July 2008 resulted in recognition of goodwill (BD 0.93 million).

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

iv) The key assumptions for the value-in-use calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user ("ARPUs"), earnings before interest, taxation, depreciation and amortization ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts. No impairment losses were recognised in 2009 (2008: Nil).

v) 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; and
- An increase in capex to sales ratio forecasts and net working capital assumptions.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

8. Intangible assets

These comprise license fees, trade name and associated assets and non-network software, as follows:

	2009 BD'000	2008 BD'000
Cost		
At 1 January	63,711	62,161
Additions during the year	1,147	1,816
Disposals during the year	(86)	(266)
At 31 December	**64,772**	63,711
Amortisation		
At 1 January	28,272	23,414
Charge for the year	4,787	5,123
Disposals during the year	(80)	(265)
At 31 December	**32,979**	28,272
Net book value at 31 December	**31,793**	35,439

9. Investment in associates

During the year, Batelco fully subscribed for the share capital of BMIC. Through a series of purchases made through BMIC, the Group acquired 42.7% stake in STEL Private Limited ("STEL"), a company incorporated in India, for a consideration of US$ 174.5 million (BD 65.8 million).

	2009 BD'000	2008 BD'000
At 1 January	**85,583**	62,446
Consideration paid	65,783	21,691
Expenses related to the acquisition	676	-
Dividend received	(6,381)	(2,146)
Share of post acquisition profit (net of income tax and losses) based on un-audited financial statements	1,185	3,592
Share of currency translation gains	1,542	-
At 31 December	**148,388**	85,583

The summarized aggregate financial information of the associates, based on un-audited financial statements as at and for the year ended 31 December 2009 is as follows:

	2009 BD '000 Un-Audited	2008 BD '000 Audited
Assets	246,217	118,215
Liabilities	124,933	72,919
Revenues	81,654	71,450
Profit	21,721	23,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

10. Available for sale investments

	2009 BD'000	2008 BD'000
Noncurrent investments		
Debt securities	6,409	15,110
Equity securities	27,225	17,969
Less: impairment allowance	(4,026)	(682)
	29,608	32,397
Current investments		
Debt securities	5,136	3,326
Less: impairment allowance	-	(660)
	5,136	2,666
	34,744	35,063

Noncurrent investments include BD 24,497 thousands representing market value of an equity investment in Etihad Atheeb Telecommunications Company as at 31 December 2009 on which there is a five year lock in period starting from April 2009.

11. Trade and other receivables

	2009 BD'000	2008 BD'000
Gross customers' accounts	53,315	52,242
Less: Impairment allowances	(15,278)	(15,314)
Customers' accounts, net	**38,037**	36,928
Amounts due from telecommunications operators	7,702	16,571
Less: Impairment allowances	(743)	(926)
Amounts due from telecommunications operators, net	**6,959**	15,645
Unbilled revenue	4,402	8,836
Prepaid expenses and other receivables	8,686	8,639
	13,088	17,475
	58,084	70,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

11. Trade and other receivables (continued)

Customers' accounts

The allowance accounts in respect of customers' accounts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly. The movement in the allowance for impairment is as follows:

	2009 BD'000	2008 BD'000
At 1 January	15,314	14,390
Charge for the year, net	2,887	4,433
Written off during the year	(2,923)	(3,509)
At 31 December	**15,278**	15,314

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

	Past due but not impaired 2009 BD'000	**Impaired 2009 BD'000**	Past due but not impaired 2008 BD'000	Impaired 2008 BD'000
Past due 0-90 days	13,829	832	12,640	564
Past due 91-180 days	3,487	1,045	3,782	739
Past due more than 180 days	7,001	13,401	8,229	14,011
	24,317	**15,278**	24,651	15,314

Amounts due from telecommunications operators

The allowance accounts in respect of dues from telecommunications operators are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the amounts are considered irrecoverable and are written off against the financial asset directly. The movement in the allowance for impairment is as follows:

	2009 BD'000	2008 BD'000
At 1 January	926	1,502
Utilization during the year	(183)	(576)
At 31 December	**743**	926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

11. Trade and other receivables (continued)

The aging of past due amounts due from telecommunications operators at the reporting date is as follows:

	Past due but not impaired 2009 BD'000	**Impaired 2009 BD'000**	Past due but not impaired 2008 BD'000	Impaired 2008 BD'000
Past due 0-180 days	253	28	164	91
Past due over 181 days	731	715	1,932	835
	984	**743**	2,096	926

12. Trade and other payables

	2009 BD'000	2008 BD'000
Current		
Trade payable	28,001	32,226
Amounts due to telecommunications operators	13,455	19,424
Other provisions and accrued expenses (note 13)	49,144	43,719
Customer deposits and billings in advance	27,882	28,298
Current tax liability	4,130	2,819
	122,612	126,486
Non current		
Trade accounts payable	4,534	6,085
Deferred tax liability (note 15)	5,307	5,879
	9,841	11,964
	132,453	138,450

13. Provisions

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

	Provision for employee redundancy benefits		**Provision for donations and others**	
	2009 BD'000	2008 BD'000	**2009 BD'000**	2008 BD'000
At 1 January	3,760	3,543	1,993	2,269
Amounts provided during the year	1,325	4,400	2,605	2,537
Amounts paid during the year	(3,024)	(4,183)	(3,280)	(2,813)
At 31 December	**2,061**	3,760	**1,318**	1,993

14. Bank borrowings

i) Borrowings availed of by the Group are interest-bearing and are measured at amortized cost. At 31 December 2009, Group's bank borrowings amounting to BD 36.6 million (31 December 2008: BD 113.4 million). These borrowings are unsecured and bear interest at 25 basis points above LIBOR and are as follows.

	2009 BD'000	2008 BD'000
Non-current liabilities	**-**	38,671
Current liabilities	36,569	74,757
	36,569	113,428

ii) The average effective interest rate is approximately 1.34% per annum (31 December 2008: 3.97 %). The outstanding loans were as follows:

	2009		2008	
	Face value BD'000	**Carrying amount BD'000**	Face value BD'000	Carrying amount BD'000
Unsecured bank borrowings in:				
Jordanian Dinars	-	-	3,722	3,722
US Dollars	36,569	36,569	109,706	109,706
	36,569	**36, 569**	113,428	113,428

15. Deferred income tax asset and liability

Deferred income tax assets are grouped under other receivables and deferred income tax liabilities grouped under trade and other payables. The deferred tax assets and liabilities are attributable to the following items relating to Umniah:

	2009 Assets BD'000	**2009 Liabilities BD'000**	2008 Assets **BD'000**	2008 Liabilities **BD'000**
Intangible assets	-	5,307	-	5,879
Temporary differences	644	-	262	-
Total	**644**	**5,307**	262	5,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

16. Share capital

	2009 BD'000	2008 BD'000
Authorised: 2,000 (2008: 2,000) million shares of 100 fils each	**200,000**	200,000
Issued and fully paid: 1,440 (2008: 1,200) million shares of 100 fils each	**144,000**	144,000

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

Name	**Nationality**	**Number of shares (in thousands)**	**Holding (%)**
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	528,000	37
Amber Holdings Limited	Cayman Islands	288,000	20
Social Insurance Organisation	Bahrain	295,818	21

c. Distribution schedule of equity shares:

Categories	**Number of shares (in thousands)**	**Number of shareholders**	**% of total Outstanding shares**
Less than 1%	225,567	8,510	15
1% up to less than 5%	102,615	3	7
5% up to less than 10%	-	-	-
10% up to less than 20%	-	-	-
20% up to less than 50%	1,111,818	3	78
	1,440,000	**8,516**	**100**

17. Statutory and general reserve

i) 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 issued share 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.

ii) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer has been made for the year 2009 (2008: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

18. Proposed appropriations

The Board of Directors propose the following appropriations for the approval of the shareholders at the annual general meeting:

	2009 BD'000	2008 BD'000
Final cash dividends proposed	43,200	43,200
Interim cash dividends paid	28,800	28,800
Donations	2,626	2,605
Directors' remuneration	440	385

19. Revenue

	2009 BD'000	2008 BD'000
Mobile telecommunications services	163,186	155,325
Fixed line telecommunication services	39,074	38,085
Internet	38,385	40,275
Data communication circuits	53,146	45,300
Wholesale	38,063	27,063
Others	15,086	13,028
	346,940	319,076

20. Finance and other income

	2009 BD'000	2008 BD'000
Gain on sale of land	-	6,716
Net loss on disposal of property and equipment	(175)	(131)
Interest income	1,623	5,479
Others	1,518	1,719
	2,966	13,783

21. Network operating expenses

	2009 BD'000	2008 BD'000
Outpayments to telecommunications operators	45,546	39,692
Telecom facility operating lease rentals	19,850	18,725
Cost of sales of equipment	24,666	20,926
Repair and maintenance	7,440	6,585
Licence fee	6,393	7,085
	103,895	93,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

22. General and administrative expenses

	2009 BD'000	2008 BD'000
Marketing, advertising and publicity	15,588	12,111
Other expenses	24,085	16,492
Impairment allowances	5,572	5,775
	45,245	34,378

23. Finance expenses

Finance expenses include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2009 BD'000	2008 BD'000
Interest expense on financial liabilities measured at amortised cost	**1,383**	6,040

24. Earnings per share ("EPS")

	2009 BD'000	2008 BD'000
Profit for the year attributable to shareholders	105,041	104,207
Weighted average number of shares outstanding during the year (in thousands)	1,440,000	1,440,000
Basic earnings per share (fils)	**72.9**	72.4

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

25. Commitments and contingencies

i) On 14 December 2009, the Group has signed an agreement with Global Banking Corporation B.S.C. ("GBCORP") for investing in BMIC subject to Foreign Investment Promotion Board approval in India. Subsequent to completion of this transaction, BMIC will hold 49% equity stake in S-Tel India.

ii) The Group has furnished a guarantee for BD 36.9 million (equivalent of SR 367 million) (2008: BD 36.9 million) to a bank for extending credit facilities to an investee company.

iii) The Group has furnished guarantees amounting to BD 4.2 million (2008: BD 7.77 million) to suppliers on behalf of an investee company relating to the equipment supply contracts.

iv) Operating leases
The Group enters in to cancellable operating lease agreements in the normal course of business, which are principally in respect of property and equipment. These lease agreements are cancellable with a notice period ranging from one to three months.

v) Foreign currency facilities
The Group currently has foreign currency facilities from commercial banks totalling approximately BD 11.54 million (2008: BD 3.77 million). At 31 December 2009, the Group has utilised BD Nil (2008: BD Nil) of the foreign currency facilities.

vi) Staff housing loans
The Group 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 Group. The Group bears 75% (2008: 75%) of the loan interest. At 31 December 2009, the Group has guaranteed BD 3.8 million towards housing loans to staff (2008: BD 4.6 million).

vii) As at 31 December 2009, the Group's banks have issued guarantees, amounting to BD 8.70 million (2008: BD 3.95 million) and letters of credit amounting to BD 0.44 million (2008: BD 0.43 million).

viii) The Group has capital commitments at 31 December 2009 amounting to BD 8.01 million (2008: BD 11.19 million).

26. Employee benefits

The Group employed 2,379 employees as at 31 December 2009 (2008: 2,428). The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 3.6 million (2008: BD 3.6 million). The provision for leaving indemnity in respect of expatriate employees amounted to BD 2.0 million (2008: BD 1.6 million) and is included under accounts payables and accruals.

27. Transactions with related parties

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group. During the year, key executive roles were added in line with Board requirement to establish a Group operating structure to support management of all operations.

i) The Company provides telecommunication services to various Government and semi government organisations and companies in the Kingdom of Bahrain. The Company also avails of various services from Government and semi government organisations and companies in the Kingdom of Bahrain.

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:

	2009 BD'000	2008 BD'000
Short-term employee benefits	1,744	1,252
Post-employment benefits	160	135
Total key management personnel compensation paid	**1,904**	1,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

27.Transactions with related parties (continued)

	2009 BD'000	2008 BD'000
Post employment benefits due	**131**	101
Directors remuneration (including sitting fees)	**561**	496

iii) Transactions with associates are disclosed under note 9.

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

	2009	2008
Total number of shares held by Directors	**3,386,376**	2,622,127
As a percentage of the total number of shares issued	**0.24%**	0.18%

for the year ended 31 December 2009 BD'000

28. Segment information

Operating segments

For reporting purposes the Group's operations are segregated between Bahrain, Jordan and Other countries. Other countries include Kuwait, Yemen, Egypt and India. Segment information disclosed for the year ended 31 December 2009 is as follows:

	31 December 2009					31 December 2008				
Segment revenue and profit	**Bahrain**	**Jordan**	**Other countries**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Revenue (external customers)	238,941	79,467	28,532	-	346,940	223,933	65,870	29,273	-	319,076
Inter-segment revenues	7,045	9,701	1,127	(17,873)	-	6,967	6,834	1,261	(15,062)	-
Finance and other income	2,511	306	149	-	2,966	13,649	137	(3)	-	13,783
Depreciation and amortization	25,979	13,433	1,932	-	41,344	29,765	12,639	1,888	-	44,292
Interest expense	762	621	-	-	1,383	5,668	372	-	-	6,040
Share of profit of associates (net)	-	-	1,185	-	1,185	-	-	3,592	-	3,592
Profit	**94,316**	**7,085**	**7,417**	**-**	**108,818**	93,186	4,868	9,847	-	107,901

	As at 31 December 2009					As at 31 December 2008				
Segment assets and liabilities	**Bahrain**	**Jordan**	**Other countries**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Non-current assets	161,113	206,677	163,147	-	530,937	173,870	211,597	99,955	-	485,422
Current assets	122,111	29,502	19,242	(28,716)	142,139	195,426	40,148	22,330	(28,535)	229,369
Total assets	**283,224**	**236,179**	**182,389**	**(28,716)**	**673,076**	369,296	251,745	122,285	(28,535)	714,791
Current liabilities	114,072	52,825	17,490	(25,206)	159,181	135,370	70,087	22,238	(26,452)	201,243
Non-current liabilities	3,528	8,898	928	(3,513)	9,841	38,722	14,066	37	(2,190)	50,635
Total liabilities	**117,600**	**61,723**	**18,418**	**(28,719)**	**169,022**	174,092	84,153	22,275	(28,642)	251,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

29. Summarised separate financial statements of the parent Company, Bahrain Telecommunications Company BSC

Statement of financial position

	2009 BD'000	2008 BD'000
ASSETS		
Non-current assets		
Property and equipment	127,632	136,816
Intangible assets	3,836	4,558
Investments in subsidiaries	231,825	165,362
Investment in associates	73,699	80,080
Available for sale investments	29,608	32,237
Total non-current assets	**466,600**	419,053
Current assets		
Inventories	1,077	1,125
Available for sale investments	5,136	2,666
Trade and other receivables	44,211	49,401
Loan to subsidiary companies	7,661	9,814
Cash and cash equivalents	55,652	127,864
Total current assets	**113,737**	190,870
Total assets	**580,337**	609,923
EQUITY AND LIABILITIES		
Equity		
Share capital	144,000	144,000
Statutory reserve	72,000	72,000
General reserve	15,000	15,000
Fair value reserve on investments	9,457	288
Retained earnings	225,887	208,571
Total equity	**466,344**	439,859
Non-current liabilities		
Non current portion of bank borrowings	-	36,569
Total non current liabilities	**-**	36,569
Current liabilities		
Trade and other payables	77,424	60,357
Current portion of bank borrowings	36,569	73,138
Total current liabilities	**113,993**	133,495
Total liabilities	**113,993**	170,064
Total equity and liabilities	**580,337**	609,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

29. Summarised separate financial statements of the parent company, Bahrain Telecommunications Company BSC (continued)

Statement of comprehensive income

	2009 BD'000	2008 BD'000
Revenue	245,527	228,839
Finance and other income	5,600	16,284
Total income	**251,127**	245,123
Network operating expense	(65,748)	(58,511)
Staff costs	(37,045)	(37,611)
Depreciation and amortisation	(25,916)	(29,641)
General and administrative expenses	(29,350)	(19,536)
Finance expenses	(762)	(5,670)
Total expenses	**(158,821)**	(150,969)
Profit for the year	**92,306**	94,154
Other comprehensive income		
Investments fair value changes	9,169	(1,307)
Other comprehensive income for the year	**9,169**	(1,307)
Total comprehensive income for the year	**101,475**	92,847
Profit for the year attributable to:		
Equity holders of the parent Company	**92,306**	94,154
Total comprehensive income attributable to:		
Equity holders of the parent Company	**101,475**	92,847
Basic earnings per share (Fils)	**64.1**	65.4

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

31. List of properties owned and rented by the Company

Description	Use	Owned/Rented
Hamala Headquarters	Offices	Owned
Diplomat Building	Offices & Telecoms	Owned
Telephone House	Offices & Telecoms	Owned
Telegraph House	Offices & Telecoms	Owned
Batelco Commercial Centre	Offices & Exchanges	Owned
Earth Station	Satellite Station	Owned
Hamala Transmitters	Transmission Station	Owned
Abul Land Car Park	Car Park	Owned
Eid Mosque Car Park	Car Park	Rented
Salmaniya Car Park (Telephone House)	Car Park	Rented
Sales Site (in BCC)	Customer Service Centre & Offices	Owned
20 Sales Site	Customer Service Centre	Rented
58 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
133 different sites used for locating Remote Line Units (RLUs)	GSM & fixed telephone network	Rented