Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011

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CHAIRMAN'S REPORT
for the year ended 31 December 2011

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

We were pleased to announce sound financial results and operating performance across our markets of operation in MENA and India, with 37 % of revenues and 30 % of Operating Profit now generated from markets outside of Bahrain. For the full year 2011, the Group reported Gross Revenues of BD 327.0M (US$ 867.4M) and Net Profit of BD 80.0M (US$ 212.2M), a decline of 4 % and 8 % respectively against the full year 2010.
The Group ended the year with a strong balance sheet; as of 31 December 2011, Batelco Group was free of debt and had significant cash and bank balances of BD 107.9M (US$ 286.2M), an increase of 24 % YoY.

Financial Highlights

- Gross Revenues of BD 327.0M (US$ 867.4M) for the year
- Consolidated Net Profit of BD 80.0M (US$ 212.2M) for the year
- EBITDA of BD 126.0M (US$ 334.2M) representing a 39 % margin for the full year
- Significant cash and bank balances totalling BD 107.9M (US$ 286.2M) at year end
- An overall solid financial position to support future growth and results as underscored by the Group's Investment Grade Credit Ratings – its first public credit ratings- received from Fitch and Standard & Poor's Ratings Services in Q4 2011.

Proposed Appropriations

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

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

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

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

We are also proud of our ongoing ability to deliver value to shareholders. In recommending to the General Assembly a substantial dividend of BD 57.6M (US$ 152.8M) for the full year, equivalent to 40 fils per share, we see the Group continue to top the ranks of regional telecommunications companies in terms of dividend yields and comparative shareholder returns.

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

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

Auditors

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

On behalf of Batelco Board of Directors, management and staff, I want to express great appreciation to His Majesty King Hamad Bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, The Prime Minister, and His Royal Highness Prince Salman Bin Hamad Al Khalifa, Crown Prince & Deputy Supreme Commander, for their continuous and invaluable support for Batelco.

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

Appreciation for our Shareholders and Customers

We appreciate our shareholders' strong support and confidence in backing our Company strategy. We are firmly focused on our goal to drive shareholder value through strengthening our business going forward.
Our focus on delivering an unsurpassed customer experience for our consumers and business customers ensured that in spite of competitive pressures we retained market leadership in the Bahrain market in 2011. Our customers' loyalty is crucial and we extend our utmost appreciation to them for continuing to choose and trust Batelco's products and services. Our gratitude is also extended to all customers who support our international operations; all our customers can rest assured that their needs will remain a key priority in the year ahead.

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

Committed to the Wellbeing of the Community

Beyond our focus on business and financial performance, we are also committed to our roles as responsible corporate citizens. The growth and success of the Group is inextricably linked with the growth, success and wellbeing of the local communities in which it operates. Our CSR commitment is very much in evidence in the Kingdom of Bahrain where we continued to contribute to a diverse range of causes through our sponsorship and donation programmes. In 2011, Batelco paid out more than BD 2.1 million to enhance the lives of residents of Bahrain via health, education, sports and cultural initiatives.

CHAIRMAN'S REPORT
for the year ended 31 December 2011 *(continued)*

Looking Forward with Confidence

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

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

Hamad bin Abdulla Al-Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC
23 January, 2012

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

23 January 2012

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011 BD'000

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

The consolidated financial statements, which consist of pages 5 to 40 were approved by the Board of Directors on 23 January 2012 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011 BD'000

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

The consolidated financial statements, which consist of pages 5 to 40 were approved by the Board of Directors on 23 January 2012 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2011 BD'000

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

BD'000

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011 BD'000

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011

1 BACKGROUND AND ACTIVITIES

Bahrain Telecommunications Company BSC ("the Company", "the Parent") is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2011 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The registered office of the Company is P.O. Box 14, in Manama, Kingdom of Bahrain. The subsidiaries and associates of the Group included in these consolidated financial statements are as follows:

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

** Subsidiary due to management control*

2 BASIS OF PREPARATION

a) Statement of compliance

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

(i) New Standards, amendments and interpretations that are effective on or after 1 January 2011
The following standards, amendments and interpretations, which became effective in 2011, are relevant to the Group:

- *IAS 24 – Related party disclosures*
  The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

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

2 BASIS OF PREPARATION (continued)

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

(ii) New Standards, amendments and interpretations issued but not yet effective
The following standards and interpretations have been issued and are expected to be relevant to the Group in future periods, with effective dates on or after 1 January 2012.

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

  IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) has been amended to include:
  - IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and

  - on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

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

- *IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)*
  IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

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

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

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

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

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

- *Early adoption of standards*
  The Group did not early adopt new or amended standards in 2011.

2 BASIS OF PREPARATION (continued)

b) Basis of measurement

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

c) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

(i) Subsidiaries

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

(ii) Investment in associates

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

All material Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

(iii) Financial statements of foreign operations

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

c) Property and equipment

(i) Recognition and initial measurement

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Subsequent measurement

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

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

(iii) Depreciation

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

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

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

d) Investment property

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Leased assets

(i) Finance leases

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

(ii) Operating leases

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

f) Goodwill

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

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

g) Intangible assets

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

(i) Recognition and measurement

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

(ii) Amortisation

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

Asset class	Estimated useful life (Years)
License fees	7 to 13
Trade name & associated assets and non-network software	3 to 13

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

h) Financial instruments

(i) Financial instruments

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

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

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

(ii) Share capital

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

i) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale ("AFS") investments. Purchase and sale of AFS investments are accounted for on the trade date and are initially recorded at cost, being the fair value of the consideration given including transaction charges associated with the investment. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 3(o)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. The fair value of AFS investments is their quoted bid price at the reporting date. AFS investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

j) Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Trade and other receivables

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

l) Cash and cash equivalents

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

m) Trade and other payables

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

n) Provisions

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

o) Impairment

(i) Financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

p) Employee benefits

(i) Local employees

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

(ii) Expatriate employees

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

(iii) Employee savings scheme

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Income tax

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

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

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

r) Revenue

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Earnings per share

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

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 27).

u) Asset held-for-sale

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

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

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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Audit Committee of the Board of Directors of the Company oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Group's Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

a) Credit risk

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

(i) Trade receivables

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

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

(ii) Investments and cash and bank balances

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

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for the year ended 31 December 2011 BD'000

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Exposure to credit risk

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

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

(iv) Customers' accounts

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

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

(v) Amounts due from telecommunications operators

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

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

b) Liquidity risk

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

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

c) Market risk

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

(i) Currency risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011 BD'000

4 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from bank deposits and available-for-sale investments during 2011 was 0.80 % (2010: 0.99 %).

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

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

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by BD 803 (2010: BD 697). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

(iii) Other market price risk

The primary goal of the Group's investment strategy is to ensure risk free returns and invest surplus fund available with the Group in risk free securities. Market price risk arises from available-for-sale investment held by the Group. The Group Treasury 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.

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorized:

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

(iv) Other price risk

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

d) Capital management

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

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

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

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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

e) Classification of financial instruments

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

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

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

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

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5 PROPERTY AND EQUIPMENT

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

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

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

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6 GOODWILL

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

a) Analysis of Goodwill

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

b) Impairment of Goodwill

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

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

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

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

The results of the sensitivity testing revealed that the value in use calculations is sensitive to the above changes, although these did not result in a materially significant change in the carrying value of the goodwill and related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011 BD'000

7 INTANGIBLE ASSETS

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

8 INVESTMENT IN ASSOCIATES

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

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

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

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

9 INVESTMENT IN ASSOCIATE CLASSIFIED AS HELD-FOR-SALE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011 BD'000

9 INVESTMENT IN ASSOCIATE CLASSIFIED AS HELD-FOR-SALE (continued)

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

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

10 AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

11 TRADE AND OTHER RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 TRADE AND OTHER RECEIVABLES (continued)

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

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

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

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

The movement in the allowance for impairment was as follows:

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

12 CASH AND BANK BALANCES

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

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

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13 TRADE AND OTHER PAYABLES

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

14 PROVISIONS

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

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

15 DEFERRED INCOME TAX ASSET AND LIABILITY

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

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

16 SHARE CAPITAL

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

- The Company has only one class of equity shares and the holders of these shares have equal voting rights.

- Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5 % or more of outstanding shares:

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

- Distribution schedule of equity shares:

Categories	**Number of shares (thousands)**	**Number of shareholders**	**% of total outstanding shares**
Less than 1 %	247,409	11,089	16
1 % up to less than 5 %	80,493	2	6
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,112,098	3	78
	1,440,000	**11,094**	**100**

17 STATUTORY AND GENERAL RESERVE

a) Statutory reserve

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

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17 STATUTORY AND GENERAL RESERVE (continued)

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. Transfer of BD 15,000 (2010: Nil) was made during the year 2011.

18 DIVIDENDS

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

19 REVENUE

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

20 NETWORK OPERATING EXPENSES

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

21 OTHER OPERATING EXPENSES

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

22 FINANCE AND OTHER INCOME

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

23 EARNINGS PER SHARE ("EPS")

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

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

24 COMMITMENTS AND CONTINGENCIES

a) Guarantees

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

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

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

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

b) Operating leases

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

24 COMMITMENTS AND CONTINGENCIES (continued)

c) Staff housing loans

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

d) Foreign currency facilities

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

e) Commitments

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

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

f) Contingent liabilities

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

g) Claims against STEL

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

25 EMPLOYEE BENEFITS

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

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26 TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

for the year ended 31 December 2011 BD'000

27 SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2011 BD'000

28 COMPARATIVES

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

29 LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY

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

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY, BAHRAIN TELECOMMUNICATIONS COMPANY BSC

BD'000

a) Statement of financial position

ASSETS	**2011**	2010
Non-current assets		
Property and equipment	119,742	123,355
Intangible assets	2,228	3,437
Investment in subsidiaries	232,148	231,900
Investment in associate[1]	82,226	82,226
Available-for-sale investments	16,703	28,403
Total non-current assets	**453,047**	469,321
Current assets		
Inventories	443	577
Trade and other receivables	54,845	42,974
Cash and bank balances	90,215	68,884
Total current assets	**145,503**	112,435
Total assets	**598,550**	581,756

EQUITY AND LIABILITIES		
Equity		
Share capital	144,000	144,000
Statutory reserve	72,000	72,000
General reserve	30,000	15,000
Investments fair value reserve	(3,397)	8,210
Retained earnings	243,073	251,485
Total equity	**485,676**	490,695
Current liabilities		
Trade and other payables	112,874	91,061
Total current liabilities	**112,874**	91,061
Total liabilities	**112,874**	91,061
Total equity and liabilities	**598,550**	581,756

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

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY,
BAHRAIN TELECOMMUNICATIONS COMPANY BSC *(continued)* BD'000

b) Statement of comprehensive income

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

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