Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

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CHAIRMAN'S REPORT
for the year ended 31 December 2012

On behalf of the Board of Directors, it gives me great pleasure to present the 31st Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2012.

Our 2012 full year financial results were marked by sound financial figures and impressive operating performance at our subsidiaries across the MENA region with 41% of revenues and 39% of EBITDA now generated from markets outside of Bahrain where the Group continues to focus on strengthening its performance and reach. For the full year 2012, the Group reported Gross Revenues of BD304.7M (US$808.2M) and Net Profit of BD60.3M (US$160.0M).

The Group ended the year with a strong balance sheet and financial position; as of 31 December 2012, Batelco Group had low debt of BD18.4M (US$48.8M) and had significant cash and bank balances of BD95.0M (US$252.0M).

As was noted in previous quarters, beyond aggressive competition in the Bahrain market and elsewhere in the region, our results for 2012 were also impacted by a number of one off charges including expenses associated with an extensive restructuring and cost rationalization programme at our Bahrain operations, the benefits of which include BD20M in annual savings starting 2014, which will help us to further strengthen our performance and financial results as we go forward. That said despite the decline in revenue and income year over year, our profits remained healthy as did our ability to deliver adequate returns to shareholders.

Financial Highlights

- Gross Revenues of BD304.7M (US$808.2M) for the year
- Consolidated Net Profit of BD60.3M (US$160.0M) for the year.
- EBITDA of BD101.8M (US$270.0M) representing a 33% margin for the full year.
- Significant cash and bank balances totalling BD95.0M (US$252.0M) at year end.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2012.

BD millions	2012	2011
Final cash dividends proposed	14.4	28.8
Interim cash dividends paid	21.6	28.8
Donations at 2.5%	1.5	2.0
Transfer to general reserve	6.0	8.0
Bonus shares in the ratio of one bonus share for every ten shares held of the paid-up capital by capitalising reserves	14.4	-

Batelco Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD36.0M (US$95.5M), at a value of 25 fils per share, of which 15 fils per share was already paid during the third quarter of 2012 with the remaining 10 fils to be paid in cash following the AGM in February 2013. In addition, the Board of Directors will also recommend a 10% bonus share issue, awarding one extra share for every 10 shares held by the Company's shareholders.

The actions we've taken over the past year, both in streamlining our operations and planning for further growth will ensure that the Group continues to provide shareholders with some of the highest dividend yields in our industry region wide, well into the future. Towards this end, we were delighted to have announced in December 2012 our intention to make a transformative acquisition. With the addition of CWC's Monaco and Islands Businesses, Batelco Group is poised to emerge as a regional company of international reference with an innovative portfolio of services and a more diversified revenue stream. We are confident that combined with our continued organic growth, this acquisition, which will be accretive from the outset, will help to even further bolster profitability and our ability to deliver value for shareholders.

The soundness of the Group's financial health and performance were further underscored by the affirmation of its Investment Grade Credit Rating by leading global ratings agencies Fitch and Standard & Poor's Ratings Services in November and December of 2012, respectively.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2013.

As a leading organisation in Bahrain, Batelco appreciates the value of the ongoing support offered by the Kingdom's wise leadership. On behalf of Batelco Board of Directors, management and staff, I would like to take the opportunity to offer our grateful thanks 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.

Thank you to our Shareholders, Teams and Customers

We value our shareholders' ongoing confidence in us and extend our appreciation to them for their continued support for our strategies. Our growth strategy and the further development of the Group are a reflection of the strong leadership by our executive teams, supported by tremendous efforts by our employees across all markets to retain our customers' loyalties and improve the way we develop and deliver services. We could not operate as successfully as we do without this commitment from them and accordingly on behalf of my colleagues on the Board of Directors I extend a very big thank you to all Batelco Group employees.

Most importantly, the loyalty of our very extensive customer base is what drives us everyday to work with dedication to ensure the delivery of the very best products and services for them. Without customer support we are nothing; we therefore owe the biggest vote of thanks to our customers in Bahrain and across our international operations. We promise them our ongoing commitment in delivering world class services that meet their sophisticated communication requirements.

Batelco's Commitment to CSR Recognized

Our commitment to Corporate Social Responsibility also continued throughout 2012. More than BD1.6M was provided in support to sports, social, health and education related initiatives and charitable organisations in the Kingdom. Additionally, putting its talent and market leadership to use, Batelco also continued to support technology and other related entrepreneurs in Bahrain through the holding of the second annual Startup Weekend which presented the opportunity for aspiring entrepreneurs to launch new businesses. It also hosted CommTech during 2012, a first of its kind seminar and forum for SMEs that attracted over 600 business owners and technical experts, and which was held in order to foster business development in the Kingdom of Bahrain. In recognition of these and other community support activities Batelco was presented with the Gold Award for Excellence in CSR by the Arab Organisation for Social Responsibility and Tatweej Academy for Excellence at their 3rd annual awards ceremony.

Looking forward with Optimism

My role as Chairman is made so much easier due to the tremendous support I receive from my colleagues on the Board of Directors. Having such a strong team is a great advantage and I am very grateful to each of them, including ex members and new members, for the efforts they have contributed during 2012.

The continuous focus by all our people on improving the way we serve our customers coupled with financial discipline, will enable us to pursue growth and meet our long term objectives.

Hamad bin Abdulla Al-Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC
22 January 2013

Independent auditors' report to the shareholders
Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain 22 January 2013

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 2012, 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 2012, 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 2012 BD'000

ASSETS	Note	2012	2011
Non-current assets			
Property and equipment	5	185,865	185,019
Goodwill	6	124,377	124,682
Intangible asset	7	50,880	24,308
Investment in associates	8	77,417	78,580
Deferred tax asset	14	2,298	2,018
Available-for-sale investments	9	31,640	16,703
Total non-current assets		**472,477**	431,310
Current assets			
Investment classified as held- for- sale	9	-	46,473
Inventories		2,630	1,869
Available-for-sale investments	9	3,770	-
Trade and other receivables	10	115,569	71,762
Cash and bank balances	11	94,922	107,893
Total current assets		**216,891**	227,997
Total assets		**689,368**	659,307
EQUITY AND LIABILITIES			
Equity			
Share capital	16	144,000	144,000
Statutory reserve	17	76,847	76,719
General reserve	17	39,444	30,000
Foreign currency translation reserve		361	787
Investment fair value reserve		(2,403)	(3,397)
Retained earnings		256,099	257,731
Total equity attributable to equity holders of the Company		514,348	505,840
Non-controlling interest		5,833	12,851
Total equity (Page 8-9)		**520,181**	518,691
Non-current liabilities			
Trade and other payables	12	2,029	2,555
Loans and borrowings	15	14,388	-
Deferred tax liability	14	3,634	4,193
Total non-current liabilities		**20,051**	6,748
Current liabilities			
Trade and other payables	12	145,051	133,868
Loans and borrowings	15	4,085	-
Total current liabilities		**149,136**	133,868
Total liabilities		**169,187**	140,616
Total equity and liabilities		**689,368**	659,307

The consolidated financial statements, which consist of pages 5 to 41 were approved by the Board of Directors on 22 January 2013 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012 BD'000

	Note	2012	2011
REVENUE	19	**304,710**	326,972
EXPENSES			
Network operating expenses	20	(116,766)	(115,817)
Staff costs		(59,451)	(50,930)
Depreciation and amortisation		(36,373)	(37,985)
Other operating expenses	21	(26,710)	(34,203)
Total expenses		(239,300)	(238,935)
Results from operating activities		**65,410**	88,037
Finance and other income	22	2,563	3,257
Finance expenses		(647)	(262)
Share of profit/ (loss) of associates (net)	8	1,599	(3,124)
Profit before taxation		**68,925**	87,908
Income tax expense		(3,582)	(4,053)
Profit for the year		**65,343**	83,855
Other comprehensive income			
Foreign currency translation differences		(570)	(503)
Investment fair value changes		994	(11,607)
Other comprehensive income for the year		**424**	(12,110)
Total comprehensive income for the year		**65,767**	71,745
Profit for the year attributable to:			
Equity holders of the Company		60,340	80,014
Non-controlling interest		5,003	3,841
		65,343	83,855
Total comprehensive income for the year attributable to:			
Equity holders of the Company		60,908	67,818
Non-controlling interest		4,859	3,927
		65,767	71,745
Basic earnings per share (Fils)	23	**41.9**	55.6

The consolidated financial statements, which consist of pages 5 to 41 were approved by the Board of Directors on 22 January 2013 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Murad Ali Murad
Deputy Chairman

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2012 BD'000

	Note	2012	2011
OPERATING ACTIVITIES			
Cash receipts from customers		280,334	300,118
Net cash paid to suppliers		(122,807)	(128,765)
Cash paid to and on behalf of employees		(53,031)	(48,362)
Net cash from operating activities		**104,496**	122,991
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(63,783)	(31,554)
Payments in respect of rights share issue		(17,713)	-
Receipts from/(payments to) investee company		2,781	(2,781)
Receipts from associate		2,762	1,930
Net proceeds from sale and maturity of investments		-	4,238
Interest and investment income received		2,245	1,069
Net cash used in investing activities		**(73,708)**	(27,098)
FINANCING ACTIVITIES			
Dividend paid		(59,874)	(69,117)
Interest paid		(657)	-
Borrowings (net)		18,482	-
Payments to charities		(1,667)	(2,117)
Net cash used in financing activities		**(43,716)**	(71,234)
(Decrease)/ increase in cash and cash equivalents		**(12,928)**	24,659
Cash and cash equivalents at 1 January		105,095	80,436
Cash and cash equivalents at 31 December	11	**92,167**	105,095

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

BD'000

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

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012 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)
Investment fair value changes	-	-	-	-	(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 (net)	-	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 28 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012

1 REPORTING ENTITY

Bahrain Telecommunications Company BSC (“the Company”, “the Parent”) is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2012 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, Manama, Kingdom of Bahrain. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows:

Company	Country of incorporation	Shareholding (%)
Subsidiaries		
Batelco Middle East Holding Co. BSC (c)	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
Batelco International Company BSC (c)	Kingdom of Bahrain	100
Batelco International Group Holding Limited	Bailiwick of Jersey	100
Umniah Mobile Company PSC	Kingdom of Jordan	96
Batelco Jordan 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
Associate		
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	26.94

** Liquidated on 25 March 2012*

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

2 BASIS OF PREPARATION (continued)

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

- Note 3 h) & 9 – valuation of investments
- Note 3 j) – provisions
- Note 3 k) – impairment
- Note 3 m) – utilization of tax losses
- Note 6 – measurement of the recoverable amounts of cash-generating units

e) Amendments and interpretations effective from 1 January 2012

The following amendments which became effective as of 1 January 2012, are relevant to the Group:

(i) Improvements to IFRSs (2011)
Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The improvements have been made in IAS 1 - *Presentation of Financial Statements*, IAS 16 - *Property, Plant and Equipment*, IAS 32 - *Financial Instruments: Presentation* and IAS 34 - *Interim Financial Reporting*. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

f) New Standards, amendments and interpretations issued but not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

(i) IAS 1 - Presentation of items of other comprehensive income
The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those

2 *BASIS OF PREPARATION (continued)*

that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning after 1 July 2012 with an option of early application.

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

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

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments;

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

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

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. The Group is not expecting a significant impact from the adoption of this amendment.

(iii) IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

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

The Group is not expecting a significant impact from the adoption of these amendments.

(iv) IFRS 9 - Financial Instruments

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

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

2 BASIS OF PREPARATION (continued)

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

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

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

(v) IFRS 10 - Consolidated financial statements and IAS 27 - Separate Financial Statements (2011)
IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The Group is not expecting a significant impact from the adoption of this amendment (see Notes 3 (a)). The standard is effective for annual periods beginning on or after 1 January 2013.

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

The standard is effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the disclosure requirements for interests in subsidiaries in comparison with existing disclosures.

(vii) IFRS 13 - Fair value measurement
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption. The Group is currently assessing the impact of the standard.

3 SIGNIFICANT ACCOUNTING POLICIES

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(iii) Transactions eliminated on consolidation

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

b) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

c) Property and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Impairment

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

(iv) Depreciation

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

d) Investment property

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

e) Leased assets

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

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

f) Goodwill

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

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

g) Intangible assets

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

(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 any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in the profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Amortisation

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

Asset class	**Estimated useful life (Years)**
License fees	12 - 15
Trade name & associated assets,non-network software and IRUs	3 - 15

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

h) Financial instruments

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

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

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

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

(ii) Trade and other receivables

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(v) Loans and borrowings
Group initialy recognises loans and borrowings on the date they are originated. Group derecognises loans and borrowings when its contractual obligations are discharged, cancelled or expire.

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

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

i) Inventories

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

j) Provisions

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

k) Impairment

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets

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

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

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

l) Employee benefits

(i) Local employees

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

(ii) Expatriate employees

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

(iii) Employee savings scheme

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax

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

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

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

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

n) 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.

o) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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).

q) Asset held-for-sale

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

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

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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

a) Credit risk

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

(i) Trade receivables

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

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

(ii) Investments and cash and bank balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Exposure to credit risk

The carrying amount of financial assets (excluding equity investments) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2012	2011
Trade receivables	51,809	49,987
Unbilled revenue	2,044	1,435
Other receivables	57,093	12,497
Available-for-sale investments	4,337	4,337
Cash at bank	94,835	107,774
	210,118	176,030

(iv) Customers' accounts

The maximum exposure to credit risk at 31 December 2012 classified by operating segment sharing common economic characteristics with respect to credit risk is as follows:

Operating segment	**2012**	2011
Bahrain	30,651	26,330
Jordan	1,973	1,557
Other countries	5,882	8,613
	38,506	36,500

(v) Amounts due from telecommunications operators

The maximum exposure to credit risk for amounts due from telecommunications operators at 31 December 2012 by type of customer was:

Customer segment	**2012**	2011
International operators	2,438	3,606
Local operators	10,865	9,881
	13,303	13,487

b) Liquidity risk

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

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4 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*

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

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

Non-derivative financial liabilities at 31 December 2011	Carrying amount	Contractual cash flows	Within one year	1 - 2 years	More than two years
Trade payable	23,270	23,270	20,715	582	1,973
Other payables	2,074	2,074	2,074	-	-
Amount due to telecommunications operators	14,167	14,167	14,167	-	-
	39,511	39,511	36,956	582	1,973

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.

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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 2012 was 0.94 % (2011: 0.8 %).

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

	2012	2011
Fixed rate instruments		
Financial liabilities	**-**	41
Variable rate instruments		
Financial assets	**81,377**	87,982
Financial liabilities	**18,473**	-

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by BD 629 (2011: BD 880). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other market price risk

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 2012, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2012	2011
Available-for-sale investments		
Investment securities fair valued at level 1	**30,391**	11,684

(iv) Other price risk

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

d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. The Board seeks to maintain a balance between the higher returns and growth that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board of Directors monitors the 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 2012	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**
Available-for-sale investments	-	35,410	-	35,410
Trade receivables	51,809	-	-	51,809
Other receivables	57,093	-	-	57,093
Unbilled revenue	2,044	-	-	2,044
Cash and bank balances	94,922	-	-	94,922
	205,868	**35,410**	**-**	**241,278**
Trade payable	-	-	27,918	27,918
Other payables	-	-	2,336	2,336
Amounts due to telecommunications operators	-	-	12,852	12,852
Loans and borrowings	-	-	18,473	18,473
	-	**-**	**61,579**	**61,579**

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
Other receivables	12,497	-	-	12,497
Unbilled revenue	1,435	-	-	1,435
Cash and bank balances	107,893	-	-	107,893
	171,812	16,703	-	188,515
Trade payable	-	-	23,270	23,270
Other payables	-	-	2,074	2,074
Amounts due to telecommunications operators	-	-	14,167	14,167
Loans and borrowings	-	-	-	-
	-	-	39,511	39,511

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

	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2012	Total 2011
Cost						
At 1 January	71,126	398,565	35,335	24,935	529,961	522,636
Additions	2,606	16,099	1,030	11,514	31,249	26,634
Projects completed	80	22,816	1,247	(19,749)	4,394	3,574
Disposals	(4,196)	(36,362)	(1,297)	-	(41,855)	(22,883)
At 31 December	**69,616**	**401,118**	**36,315**	**16,700**	**523,749**	529,961
Depreciation						
At 1 January	46,642	269,168	29,132	-	344,942	331,162
Charge for the year	845	27,206	2,663	-	30,714	33,462
Disposals	-	(36,465)	(1,307)	-	(37,772)	(19,682)
At 31 December	**47,487**	**259,909**	**30,488**	**-**	**337,884**	344,942
Net book value						
At 31 December 2012	**22,129**	**141,209**	**5,827**	**16,700**	**185,865**	185,019
At 31 December 2011	24,484	129,397	6,203	24,935	185,019	

Land and buildings include certain property at Hamala, Kingdom of Bahrain with a carrying value of BD 56 (2011: BD 56) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2012 was BD 10,060 (2011: BD 10,060). 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 Company's property.

For a list of properties owned and rented by the Company, please refer to note 28.

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6 GOODWILL

	2012	2011
Cost		
At 1 January	124,682	125,129
Exchange rate adjustments	(305)	(447)
At 31 December	**124,377**	124,682

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

(ii) The key assumptions for the value-in-use calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortization ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts. No impairment losses were recognised in 2012 (2011: 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
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7 INTANGIBLE ASSETS

	2012	2011
Cost		
At 1 January	67,969	68,305
Additions during the year	32,368	464
Disposals during the year	(249)	(800)
At 31 December	**100,088**	67,969
Amortisation		
At 1 January	43,661	39,901
Charge for the year	5,659	4,523
Disposals during the year	(112)	(763)
At 31 December	**49,208**	43,661
Net book value at 31 December	**50,880**	24,308

8 INVESTMENT IN ASSOCIATES

	2012	2011
At 1 January	78,580	130,124
Receipts from associates	(2,762)	(1,930)
Share of profit /(loss) (net)	1,599	(3,124)
Share of currency translation (loss)/gain	-	(17)
Investment classified as held for sale investment (Note 9)	-	(46,473)
At 31 December	**77,417**	78,580

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

	2012*	2011
Assets	150,747	132,814
Liabilities	126,349	115,915
Revenues	82,610	70,663
Profit/ (loss)	7,499	(9,123)

* Unaudited and as of 30 November 2012.

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9 AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
a) Current		
Debt securities	**3,770**	-
b) Non-current		
Debt securities	2,546	6,316
Equity securities	79,593	14,413
Less impairment allowance	(50,499)	(4,026)
	31,640	16,703
	35,410	16,703

During the previous year, the Group reclassified its investment in STEL Private Limited ("STEL") as held-for-sale following the Board of Directors earlier decision to actively pursue the sale of the investment. BMIC Limited ("BMIC") had a binding agreement to sell its investment in STEL by quarter ending 31 December 2012 to the other promoters of STEL ("counterparty"). However, the counterparty did not settle its obligation by the stipulated date. The Group commenced litigation against the counter party in the UK High Court of Justice, Commercial Court for the recovery of BD 69.7 ($184.8) million due and owing by them to BMIC, under a Settlement Agreement between the parties. This substantially impacted the conclusion of the sale transaction and the settlement was delayed beyond the control of the Group. The Group expects a favourable settlement based upon the strong evidence supporting BMIC's case.

Accordingly, as the share sale was not concluded within 12 months, the investment in STEL was reclassified as held for use during the year. Given the revocation of 2G licenses in 2012 and closing of operations, the carrying value of investment is considered fully impaired and the loss has been offset by a contractual claim against the counterparty which has been recognized as a receivable.

Available-for-sale equity securities also include BD 30,391 (2011: BD 11,684) representing market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). There is a five year lock in period starting from April 2009.

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10 TRADE AND OTHER RECEIVABLES

	2012	2011
Trade receivables	67,533	66,294
Less impairment allowance	(15,724)	(16,307)
	51,809	49,987
Unbilled revenue	2,044	1,435
Prepaid expenses and other receivables	61,716	20,340
	115,569	71,762

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

	2012	2011
Customers' accounts	38,506	36,500
Telecommunications operators	13,303	13,487
	51,809	49,987

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

	2012	2011
Not yet due	20,671	20,733
Overdue:		
- Up to 90 days	16,007	18,298
- 91-180 days	7,693	6,688
- More than 180 days	23,162	20,575
Gross trade receivables	67,533	66,294
Impairment provision	(15,724)	(16,307)
Net trade receivables	**51,809**	49,987

The movement in the allowance for impairment was as follows:

	2012	2011
At 1 January	16,307	16,174
Impairment loss recognized during the year	2,227	3,413
Written off during the year	(2,810)	(3,280)
At 31 December	**15,724**	16,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 CASH AND BANK BALANCES

	2012	2011
Cash in hand	87	119
Cash at bank	94,835	107,774
Cash and bank balances	**94,922**	107,893

Cash and bank balances include BD 2,755 (2011: BD 2,798) on account of unclaimed dividends and short-term deposits with maturities exceeding three months. These have been excluded for the purposes of statement of cash flows.

12 TRADE AND OTHER PAYABLES

	2012	2011
Trade payable	27,918	23,270
Amounts due to telecommunications operators	12,852	14,167
Provisions, accrued expenses and other payables (note 13)	79,640	71,638
Customer deposits and billings in advance	23,254	22,535
Current tax liability	3,416	4,813
	147,080	136,423

Trade and other payables are classified as follows:

	2012	2011
Current liabilities	145,051	133,868
Non-current liabilities	2,029	2,555
	147,080	136,423

13 PROVISIONS

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

	Provision for employee redundancy/ restructuring program		**Provision for donations**	
	2012	2011	**2012**	2011
At 1 January	420	2,100	2,405	2,353
Amounts provided during the year	15,075	3,407	2,000	2,169
Amounts paid during the year	(7,169)	(5,087)	(1,667)	(2,117)
At 31 December	**8,326**	420	**2,738**	2,405

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13 PROVISIONS (continued)

Restructuring

During the year, the Company committed to a plan to restructure the Bahrain operations due to changes in economic environment. The plan was approved by the Board of Directors of the Company and the implementation was started in 2012. Accordingly, the Company recognised a provision of BD 12.1 million (BD 4.4 million for 2012 and BD 7.7 million for 2013) for expected restructuring costs relating to employees. The Company paid BD 3.8 million relating to 2012 provision during the year.

14 DEFERRED INCOME TAX ASSET AND LIABILITY

The deferred tax asset and liability is attributable to the following items relating to Jordan:

	2012 Asset	**2012 Liability**	2011 Asset	2011 Liability
Intangible assets	-	3,634	-	4,193
Aggregate temporary differences mainly on expenses	2,298	-	2,018	-
	2,298	**3,634**	2,018	4,193

15 LOANS AND BORROWINGS

	2012	2011
a) Current		
Banque Saudi Franci	2,213	-
Arab Banking Corporation (B.S.C.)	1,872	-
	4,085	-
b) Non-current		
Banque Saudi Franci	14,388	-
	14,388	-
	18,473	-

In order to finance the Company's subscription of rights share issue of the investee company, the Company obtained a long term loan of BD 17.7 million during the year. The loan bears an interest at a rate of SAIBOR + 1.75 % margin per annum. The tenor of loan is 8 years. The Company has settled BD 1.1 million of the original loan amount as at 31 December 2012.

On 23 May 2012, Umniah Mobile Company PSC ("Umniah") obtained a short-term loan in the amount of BD 9.8 million from Arab Banking Corporation (B.S.C.). The purpose of this loan is to finance the general business purposes of Umniah. The loan tenor is for a 12 month period with the option of extending for another 12 month term. The loan bears interest at a rate of LIBOR + 1.6 % margin per annum for the first year and LIBOR + 1.75 % margin per annum for the second year. Umniah has settled BD 7.9 million of the original loan amount as of 31 December 2012.

16 SHARE CAPITAL

	2012	2011
a) **Authorised:** 2,000 (2011: 2,000) million shares of 100 fils each	**200,000**	200,000
b) **Issued and fully paid:** 1,440 (2011: 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 are as follows:

Name	Nationality	Number of shares (thousands)	% of 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 %	232,912	11,057	16
1 % up to less than 5 %	94,990	3	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	**11,063**	**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 9.4 million (2011: BD 15.0 million) was made during the year 2012. The shareholders of the Company in their meeting held on 22 February 2012 approved transfer to general reserve of BD 8.0 million and the shareholders of Umniah in their meeting held on 15 February 2012 approved transfer to general reserve of BD 1.5 million of which Group's share was BD 1.4 million.

18 DIVIDENDS

The dividends paid in 2012 and 2011 were BD 50.4 million (35 Fils per share) and BD 64.8 million (45 Fils per share) respectively. The dividends paid in 2012 include an amount of BD 28.8 million relating to the final dividend for the year ended 31 December 2011 and interim dividend of BD 21.6 million in the year 2012. A final dividend in respect of the year ended 31 December 2012 of 10 Fils per share, amounting to BD 14.4 million was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 25 February 2013. These financial statements do not reflect this final dividend payable.

19 REVENUE

	2012	2011
Mobile telecommunications services	128,662	150,855
Data communication circuits	54,036	55,271
Internet	36,410	38,124
Wholesale	35,729	37,352
Fixed line telecommunication services	22,542	27,974
Others	27,331	17,396
	304,710	326,972

20 NETWORK OPERATING EXPENSES

	2012	2011
Outpayments to telecommunications operators	37,250	43,462
Operating lease rentals	30,816	34,708
Cost of sales of equipment and services	26,769	18,968
Licence fee	7,586	7,975
Repair and maintenance	14,345	10,704
	116,766	115,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 OTHER OPERATING EXPENSES

	2012	2011
Marketing, advertising and publicity	14,576	13,311
Impairment allowances	2,227	3,413
Other expenses	9,907	17,479
	26,710	34,203

22 FINANCE AND OTHER INCOME

	2012	2011
Rental income	274	294
Interest income	849	750
Others	1,440	2,213
	2,563	3,257

23 EARNINGS PER SHARE ("EPS")

	2012	2011
Profit for the year attributable to equity holders of the Company	60,340	80,014
Weighted average number of shares outstanding during the year (in thousands)	1,440,000	1,440,000
Basic earnings per share (Fils)	**41.9**	55.6

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 Company has furnished a guarantee for BD 7.3 (2011: BD 27.1) million to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(ii) The Company has furnished guarantees amounting to BD 1.6 (2011: BD 1.6) 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 2012, the Group's banks have issued guarantees, amounting to BD 4.1 (2011: BD 7.8) million and letters of credit amounting to BD 0.1 (2011: BD 0.3) million.

(iv) The Company has furnished a comfort letter for BD 1.9 (2011: BD 1.9) million to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2012 BD'000

24 COMMITMENTS AND CONTINGENCIES (continued)

b) Operating leases

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

	2012	2011
Future minimum lease payments		
Within one year	291	941
After one year but not more than five years	407	432
	698	1,373

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 % (2011: 75 %) of the loan interest. At 31 December 2012, the Company has an outstanding guarantee of BD 2.0 (2011: BD 2.4) million towards housing loans to staff.

d) Foreign currency facilities

The Company currently has foreign currency facilities from commercial banks totalling approximately BD 9.4 (2011: BD 9.4) million. At 31 December 2012, the Group has utilised BD Nil (2011: BD Nil) of the foreign currency facilities.

e) Commitments

The Group has capital commitments at 31 December 2012 amounting to BD 3.2 (2011: BD 17.0) million.

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 (2011: 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.

25 EMPLOYEE BENEFITS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 3.8 (2011: BD 3.5) million. The provision for leaving indemnity in respect of expatriate employees amounted to BD 2.8 (2011: BD 2.5) 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 Company provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Company also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain. Such transactions are in the normal course of business and are not considered to be material.

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

The key management personnel compensation is as follows:

	2012	2011
Short-term employee benefits	2,658	2,540
Post-employment benefits	64	64
Total key management personnel compensation	**2,722**	2,604

	2012	2011
Post employment benefits due	**187**	182
Directors remuneration (including sitting fees)	**510**	601

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

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

	2012	2011
Total number of shares held by Directors	**4,005,308**	3,878,361
As a percentage of the total number of shares issued	**0.28 %**	0.27 %

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27 SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan and Other countries. Other countries include Kuwait, Yemen, Egypt and India. Segment information disclosed for the year ended 31 December 2012 is as follows:

	Year ended 31 December 2012					Year ended 31 December 2011				
Segment revenue & profit	**Bahrain**	**Jordan**	**Other countries**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Revenue (external customers)	178,846	92,706	33,158	-	304,710	202,877	88,866	35,229	-	326,972
Inter segment revenues	6,671	21,263	1,271	(29,205)	-	9,510	18,319	1,259	(29,088)	-
Finance and other income	5,086	113	195	(2,831)	2,563	5,810	146	13	(2,712)	3,257
Depreciation and amortisation	20,102	14,318	1,953	-	36,373	23,546	12,466	1,973	-	37,985
Interest expense	370	277	-	-	647	-	262	-	-	262
Share of profit/(loss) of associates (net)	-	-	1,599	-	1,599	-	-	(3,124)	-	(3,124)
Profit/(loss)	45,764	9,816	9,763	-	65,343	67,833	13,587	2,435	-	83,855

	As at 31 December 2012					As at 31 December 2011				
Segment assets & liabilities	**Bahrain**	**Jordan**	**Other countries**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Other countries	Inter - segment elimination	Total
Non-current assets	150,929	232,152	89,396	-	472,477	138,672	199,231	93,407	-	431,310
Current assets	149,907	16,535	71,243	(20,794)	216,891	154,517	12,405	73,003	(11,928)	227,997
Total assets	**300,836**	**248,687**	**160,639**	**(20,794)**	**689,368**	293,189	211,636	166,410	(11,928)	659,307
Current liabilities	96,142	40,272	31,164	(18,442)	149,136	82,695	35,736	24,177	(8,740)	133,868
Non-current liabilities	17,901	5,663	-	(3,513)	20,051	3,513	6,748	-	(3,513)	6,748
Total liabilities	**114,043**	**45,935**	**31,164**	**(21,955)**	**169,187**	86,208	42,484	24,177	(12,253)	140,616

28 LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY

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

SUMMARISED FINANCIAL INFORMATION OF THE COMPANY, BAHRAIN TELECOMMUNICATIONS COMPANY BSC

BD'000

a) Statement of financial position

ASSETS	**2012**	2011
Non-current assets		
Property and equipment	114,614	119,742
Intangible assets	4,674	2,228
Investment in subsidiaries	232,559	232,148
Investment in associate	82,226	82,226
Available-for-sale investments	31,640	16,703
Total non-current assets	**465,713**	453,047
Current assets		
Inventories	340	443
Available-for-sale investments	3,770	-
Trade and other receivables	58,601	54,845
Loan to subsidiary company	23,712	-
Cash and bank balances	73,890	90,215
Total current assets	**160,313**	145,503
Total assets	**626,026**	598,550
EQUITY AND LIABILITIES		
Equity		
Share capital	144,000	144,000
Statutory reserve	72,000	72,000
General reserve	38,000	30,000
Investment fair value reserve	(2,403)	(3,397)
Retained earnings	263,810	243,073
Total equity	**515,407**	485,676
Non-current liabilities		
Loans and borrowings	14,388	-
Total non-current liabilities	**14,388**	**-**
Current liabilities		
Trade and other payables	94,018	112,874
Loans and borrowings	2,213	-
Total current liabilities	**96,231**	112,874
Total liabilities	**110,619**	112,874
Total equity and liabilities	**626,026**	598,550

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

b) Statement of comprehensive income

	2012	2011
REVENUE	**185,516**	212,386
EXPENSES		
Network operating expenses	(69,050)	(69,211)
Staff costs	(47,031)	(39,065)
Depreciation and amortisation	(20,060)	(23,533)
Other operating expenses	(9,933)	(18,507)
Total expenses	**(146,074)**	(150,316)
Results from operating activities	**39,442**	62,070
Finance and other income	42,065	11,487
Finance expenses	(370)	-
Profit for the year	**81,137**	73,557
Other comprehensive income		
Investment fair value changes	994	(11,607)
Other comprehensive income for the year	**994**	(11,607)
Total comprehensive income for the year	**82,131**	61,950