Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other 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 2014, 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:

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

KPMG Fakhro
Partner Registration No. 137
16 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014 BD'000

	Note	**2014**	2013
ASSETS			
Non-current assets			
Property and equipment	5	255,159	267,150
Goodwill	6	173,881	175,323
Intangible assets	7	141,812	162,162
Investment in associate	8	75,793	76,043
Deferred tax assets	14	3,733	3,172
Employee benefit assets	24	189	-
Other investments	9	35,466	35,439
Total non-current assets		**686,033**	719,289
Current assets			
Inventories		4,296	4,592
Trade and other receivables	10	118,263	119,697
Cash and bank balances	11	150,185	198,586
Total current assets		**272,744**	322,875
Total assets		**958,777**	1,042,164
EQUITY AND LIABILITIES			
Equity			
Share capital	16	166,320	158,400
Statutory reserve	17	83,160	77,684
General reserve	17	46,464	46,412
Foreign currency translation reserve		3,056	11,185
Investment fair value reserve		(589)	1,396
Actuarial reserve		(2,293)	(1,423)
Retained earnings		235,950	245,759
Total equity attributable to equity holders of the Company		**532,068**	539,413
Non-controlling interest		46,990	53,732
Total equity (Page 5 - 6)		**579,058**	593,145
Non-current liabilities			
Trade and other payables	12	4,698	7,251
Loans and borrowings	15	176,523	239,574
Deferred tax liabilities	14	22,577	25,875
Total non-current liabilities		**203,798**	272,700
Current liabilities			
Trade and other payables	12	175,921	173,352
Loans and borrowings	15	-	2,967
Total current liabilities		**175,921**	176,319
Total liabilities		**379,719**	449,019
Total equity and liabilities		**958,777**	1,042,164

The consolidated financial statements, which consist of pages 2 to 46 were approved by the Board of Directors on 16 February 2015 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014 BD'000

	Note	2014	2013
REVENUE	19	**389,656**	370,561
EXPENSES			
Network operating expenses	20	(139,119)	(139,498)
Staff costs		(55,738)	(55,390)
Depreciation and amortisation		(67,029)	(57,892)
Other operating expenses	21	(50,056)	(55,021)
Total expenses		**(311,942)**	(307,801)
Results from operating activities		**77,714**	62,760
Finance and other income	22	9,126	4,462
Finance and other expenses	23	(10,308)	(16,781)
Impairment on available-for-sale investments		(16,791)	-
Share of profit of associate (net)	8	3,818	5,957
Profit before taxation		**63,559**	56,398
Income tax expense	14	(6,171)	(4,944)
Profit for the year		**57,388**	51,454
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		(7,156)	10,829
Investment fair value changes – available-for-sale financial assets		(18,776)	3,799
Net fair value changes transferred to profit or loss on impairment		16,791	-
		(9,141)	14,628
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset including related tax	24	(870)	(1,423)
		(870)	(1,423)
Other comprehensive income, net of tax		**(10,011)**	13,205
Total comprehensive income for the year		**47,377**	64,659
Profit for the year attributable to:			
Equity holders of the Company		49,347	43,605
Non-controlling interest		8,041	7,849
		57,388	51,454
Total comprehensive income for the year attributable to:			
Equity holders of the Company		39,348	56,805
Non-controlling interest		8,029	7,854
		47,377	64,659
Basic and diluted earnings per share (Fils)	25	**29.7**	26.2

The consolidated financial statements, which consist of pages 2 to 46 were approved by the Board of Directors on 16 February 2015 and signed on its behalf by:

Sh. Hamad bin Abdulla Al Khalifa
Chairman

Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

BD'000

	Note	2014	2013
OPERATING ACTIVITIES			
Cash receipts from customers		351,318	338,901
Net cash paid to suppliers		(157,665)	(144,753)
Cash paid to and on behalf of employees		(58,127)	(69,966)
Payments to charities		(1,121)	(1,246)
Net cash from operating activities		**134,405**	122,936
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(35,596)	(43,646)
Acquisition of businesses, net of cash acquired	27	(1,096)	(166,249)
Receipts from associate	8	4,068	7,332
Purchase of available-for-sale bonds	9	(18,845)	-
(Purchase)/sale of other investments		(51,361)	3,237
Interest and investment income received		3,179	5,148
Net cash used in investing activities		**(99,651)**	(194,178)
FINANCING ACTIVITIES			
Dividend paid		(42,071)	(39,605)
Interest paid		(10,185)	(9,227)
Acquisition of non-controlling interest	27	(14,958)	-
Borrowings (net)		(66,878)	222,977
Net cash (used in)/from financing activities		**(134,092)**	174,145
(Decrease) / Increase in cash and cash equivalents		**(99,338)**	102,903
Cash and cash equivalents at 1 January		195,070	92,167
Cash and cash equivalents at 31 December	11	**95,732**	195,070

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014 BD'000

2014	Note	Equity attributable to equity holders of the Company									
		Share capital	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**Investment fair value reserve**	**Actuarial reserve**	**Retained earnings**	**Total**	**Non - controlling interest**	**Total equity**
At 1 January 2014		158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**49,347**	**49,347**	**8,041**	**57,388**
Other comprehensive income											
Foreign currency translation differences		-	-	-	(7,144)	-	-	-	(7,144)	(12)	(7,156)
Investment fair value changes		-	-	-	-	(18,776)	-	-	(18,776)	-	(18,776)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	16,791	-	-	16,791	-	16,791
Remeasurement of defined benefit liability including related tax		-	-	-	-	-	(870)	-	(870)	-	(870)
Total other comprehensive income		**-**	**-**	**-**	**(7,144)**	**(1,985)**	**(870)**	**-**	**(9,999)**	**(12)**	**(10,011)**
Total comprehensive income for the year		**-**	**-**	**-**	**(7,144)**	**(1,985)**	**(870)**	**49,347**	**39,348**	**8,029**	**47,377**
Contributions and distributions											
Bonus shares issued		7,920	-	-	-	-	-	(7,920)	-	-	-
Final dividends declared for 2013	18	-	-	-	-	-	-	(15,840)	(15,840)	(9,913)	(25,753)
Donations declared for 2013		-	-	-	-	-	-	(1,090)	(1,090)	-	(1,090)
Transfer to statutory reserve (net)		-	5,476	-	-	-	-	(5,476)	-	-	-
Transfer to general reserve	17(b)	-	-	52	-	-	-	(54)	(2)	2	-
Interim dividends declared for 2014	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Total contributions and distributions		**7,920**	**5,476**	**52**	**-**	**-**	**-**	**(47,012)**	**(33,564)**	**(9,911)**	**(43,475)**
Changes in ownership interests											
Acquisition of non-controlling interest without a change in control		-	-	-	(985)	-	-	(12,144)	(13,129)	(4,860)	(17,989)
Total changes in ownership interests	27	**-**	**-**	**-**	**(985)**	**-**	**-**	**(12,144)**	**(13,129)**	**(4,860)**	**(17,989)**
At 31 December 2014		**166,320**	**83,160**	**46,464**	**3,056**	**(589)**	**(2,293)**	**235,950**	**532,068**	**46,990**	**579,058**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

BD'000

2013	Equity attributable to equity holders of the Company									
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 2013	144,000	76,847	39,444	361	(2,403)	-	256,099	514,348	5,833	520,181
Profit for the year	-	-	-	-	-	-	43,605	43,605	7,849	51,454
Other comprehensive income										
Foreign currency translation differences	-	-	-	10,824	-	-	-	10,824	5	10,829
Investment fair value changes	-	-	-	-	3,799	-	-	3,799	-	3,799
Remeasurement of defined benefit liability including related tax	-	-	-	-	-	(1,423)	-	(1,423)	-	(1,423)
Total other comprehensive income	-	-	-	10,824	3,799	(1,423)	-	13,200	5	13,205
Total comprehensive income for the year	-	-	-	10,824	3,799	(1,423)	43,605	56,805	7,854	64,659
Contributions and Distributions										
Bonus shares issued	14,400	-	-	-	-	-	(14,400)	-	-	-
Final dividends declared for 2012	-	-	-	-	-	-	(14,400)	(14,400)	-	(14,400)
Donations declared for 2012	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
Transfer to statutory reserve (net)	-	837	-	-	-	-	(837)	-	-	-
Transfer to general reserve	-	-	6,968	-	-	-	(6,968)	-	-	-
Interim dividends declared for 2013	-	-	-	-	-	-	(15,840)	(15,840)	-	(15,840)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(6,124)	(6,124)
Total contributions and distributions	14,400	837	6,968	-	-	-	(53,945)	(31,740)	(6,124)	(37,864)
Changes in ownership interests										
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	-	46,169	46,169
Total changes in ownership interests	-	-	-	-	-	-	-	-	46,169	46,169
At 31 December 2013	158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014 BD'000

1 REPORTING ENTITY

Bahrain Telecommunications Company BSC ("the Company", "the Parent") is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2014 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows.

Company	Country of incorporation	Principal activity	Share holding (%)
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Batelco International Company BSC (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
Qualitynet General Trading and Contracting Company WLL*	State of Kuwait	Telecommunication services	90
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
IBGI Limited	Mauritius	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	Maldives	Telecommunication services	52
Sure (Guernsey) Limited	Guernsey	Telecommunication services	100
Sure (Jersey) Limited	Bailiwick of Jersey	Telecommunication services	100
Foreshore Limited**	Bailiwick of Jersey	Telecommunication services	100
Sure (Isle of Man) Limited	Isle of Man	Telecommunication services	100
BTC South Atlantic Limited	South Atlantic	Holding Company	100
Sure (Diego Garcia) Limited	Diego Garcia	Telecommunication services	100
Sure South Atlantic Limited	South Atlantic	Telecommunication services	100
Associate			
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	Telecommunication services	26.94

*During the year, the Group increased its stake in Quality Net from 44% to 90% (see note 27).

**During the year, the Group acquired 100% share capital of Foreshore Limited, a company registered in Jersey (see note 27).

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

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 financial instruments including determination of fair values: based on valuation techniques
- Note 3 j) & 13 — Recognition and measurement of provision: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 3 k) — Impairment test for financial and non-financial assets: key assumptions underlying recoverable amounts
- Note 3 n) — Recognition of deferred tax assets: availability of future taxable profits against which carryforward tax losses can be used
- Note 6 — Goodwill impairment: measurement of the recoverable amounts of cash-generating units
- Note 27 — Acquisition of subsidiaries: fair value measured on a provisional basis
- Note 24 — Measurement of defined benefit obligations: key actuarial assumptions

e) Amendments and interpretations effective from 1 January 2014

The following amendments which became effective as of 1 January 2014 are relevant to the Group. The adoption of these amendments had no significant impact on the consolidated financial statements:

(i) IAS 32 - Offsetting Financial Assets and Financial Liabilities
The amendments clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

2 BASIS OF PREPARATION (continued)

(ii) IAS 19R - Employee Benefits
The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

(iii) IAS 36 - Recoverable amount disclosures for non-financial assets
The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

(iv) IFRIC 21 - Levies
IFRIC 21 on Levies (amendments to IAS 32) provide guidance on the accounting for levies in the financial statements of the entity that is paying the levy.

f) New Standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application.

(ii) IFRS 9 - Financial Instruments
IFRS 9 published in July 2014, replaces the existing IAS 39 '*Financial Instruments: Recognition and Measurement'*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

(iii) IFRS 15 - Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 - *Revenue*, IAS 11 - *Construction Contracts* and IFRIC 13 - *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

The Group accounts for its business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in acquisition is measured at its fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except where these relate to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the date of acquisition. If contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control effectively ceases.

(ii) Non-controlling interests (NCI)

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

(iii) Loss of control

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

(iv) Investment in associates

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

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

(v) Transactions eliminated on consolidation

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve.

c) Property and equipment

(i) Recognition and measurement

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

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

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

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

(iii) Impairment

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 - 40
Network assets & telecom equipment	2 - 25
Motor vehicles, furniture, fittings & office equipment	2 - 10

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

d) Investment property

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

e) Leased assets

(i) Finance leases

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

(ii) Operating leases

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

f) Goodwill

Goodwill arising on acquisition of subsidiaries is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually at the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangible assets

Intangible assets comprise license fees, trade name, customer relationships & associated assets, non-network software and Indefeasible Rights of Use (IRUs).

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

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

Asset class	Estimated useful life (Years)
License fees	7 – 20
Trade name, customer relationships & associated assets, non-network software and IRUs	3 – 20

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

h) Financial instruments

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(ii) Non-financial assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

m) Borrowing costs

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

n) Tax

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

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Deferred tax

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

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

o) Revenue

Revenue represents the value of fixed or determinable consideration received or receivable for telecommunication products and services provided. Revenue is recognised, net of discounts and sales taxes, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, installation and activation fees, equipment sales and other related services.

Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in the profit or loss.

Revenue from interconnect fees is recognised at the time the services are performed.

Revenue from data services and information provision is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Fees for installation and activation are recognised as revenue upon activation. All installation and activation costs are expensed as incurred.

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.

In revenue arrangements including more than one deliverable that have value to a customer on stand-alone basis, the arrangement consideration is allocated to each deliverable based on IAS 18.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

q) Segment reporting

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

r) Fair value measurement for financial instruments

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

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

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

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

s) Asset held-for-sale

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

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

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

4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group, through its various committees, 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 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 Group has established an Audit Committee which is assisted by Group's Internal Audit Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has also established a centralised Group treasury function which works under the overall supervision of the Board of Directors of the Group 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 Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014 BD'000

4 *FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)*

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 10 and 21).

(ii) Other receivables

Other receivables primarily include receivables on sale of certain investments and financial assets representing contractual rights and claims by the Group. The Group evaluates the recoverable amount of each receivable and recognizes a provision where the expected present value of the financial asset is below the carrying value of the financial asset. The Group has gross maximum exposure to other receivables of BD 48.73 million (2013: BD 50.03 million) and has recognized cumulative impairment allowances amounting to BD 19.54 million (2013: BD 6.00 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions are adequate.

(iii) 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.

(iv) 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:

	2014	2013
Trade receivables	67,938	59,387
Unbilled revenue	7,397	7,416
Other receivables	29,194	44,025
Other investments	18,648	567
Cash at bank	149,790	198,170
	272,967	309,565

(v) Customers' accounts

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

Operating segment	**2014**	2013 (restated)*
Bahrain	40,185	35,045
Jordan	3,575	2,145
Maldives	976	761
Channel Islands and Isle of Man (CIIM)	1,446	1,343
Other countries	2,752	1,921
	48,934	41,215

*2013 figures are restated primarily for the inclusion of Channel Islands and Isle of Man (CIIM) as a reportable segment.

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4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(vi) Amounts due from telecommunications operators

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

Customer segment	**2014**	2013
International operators	8,908	8,253
Local operators	10,096	9,919
	19,004	18,172

b) Liquidity risk

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

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

Non-derivative financial liabilities at 31 December 2014	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	33,495	33,495	33,495	-	-
Other payables	9,570	9,570	9,570	-	-
Amount due to telecommunications operators	17,535	17,535	17,535	-	-
Loans and borrowings	176,523	219,978	7,578	7,578	204,822
	237,123	**280,578**	**68,178**	**7,578**	**204,822**

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

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.

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4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(i) Currency risk

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

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

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities 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 2014 was 1.37 % (2013: 1.07 %).

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

	2014	2013
Fixed rate instruments		
Financial assets	**29,778**	9,687
Financial liabilities	**176,523**	227,400
Variable rate instruments		
Financial assets	**110,098**	159,763
Financial liabilities	**-**	15,141

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 1,054 (2013: BD 1,302).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 Group's Board of Directors.

The Group's investment in Etihad Atheeb Telecommunications Company ('the Investee') (Note 9) is sensitive to movement in quoted share price of the Investee. A 10% change in the share price of the Investee at the reporting date can result in a BD 1,600 (2013: BD 3,419) increase/(decrease) in value of the investment .

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

(iv) Other price risk

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

d) Capital management

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

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

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 Group nor any of its subsidiaries are subject to externally imposed capital requirements.

e) Accounting classification of financial instruments

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

31 December 2014	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount
Financial assets				
Other investments at fair value	-	34,651	-	34,651
Other investments at cost	-	-	815	815
Trade receivables	67,938	-	-	67,938
Other receivables	29,194	-	-	29,194
Unbilled revenue	7,397	-	-	7,397
Cash and bank balances	150,185	-	-	150,185
	254,714	**34,651**	**815**	**290,180**
Financial liabilities				
Trade payables	-	-	33,495	33,495
Other payables	-	-	9,570	9,570
Amounts due to telecommunications operators	-	-	17,535	17,535
Loans and borrowings	-	-	176,523	176,523
	-	**-**	**237,123**	**237,123**

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4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

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

f) Measurement of fair values

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

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

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

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

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

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

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4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

The table below analyses financial instruments, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Fair value			
31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets measured at fair value				
Other investments	34,084	-	567	34,651
Financial assets not measured at fair value				
Other investments	-	-	815	815
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	-	-	3,031	3,031
Loans and borrowings – Bonds	175,626	-	-	175,626

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

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

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5 PROPERTY AND EQUIPMENT

31 December 2014	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2014
Cost					
At 1 January	80,997	477,198	43,270	30,830	632,295
Additions	80	5,716	28	31,991	37,815
Projects completed	1,059	20,460	7,453	(28,972)	-
Acquisition through business combination (Note 27)	-	536	-	-	536
Disposals	(200)	(9,058)	(2,589)	(224)	(12,071)
Effect of movements in exchange rates	(232)	(1,943)	1,826	(353)	(702)
At 31 December	**81,704**	**492,909**	**49,988**	**33,272**	**657,873**
Depreciation					
At 1 January	48,769	282,990	33,386	-	365,145
Charge for the year	1,568	41,595	4,480	-	47,643
Disposals	(197)	(8,773)	(2,523)	-	(11,493)
Effect of movements in exchange rates	167	(1,003)	2,255	-	1,419
At 31 December	**50,307**	**314,809**	**37,598**	**-**	**402,714**
Net book value					
At 31 December 2014	**31,397**	**178,100**	**12,390**	**33,272**	**255,159**

Land and buildings include certain property at Hamala, Kingdom of Bahrain with a carrying value of BD 56 (2013: BD 56) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2014 was BD 10,060 (2013: BD 10,060). The fair value of the property was determined in 2012 by a registered independent appraiser based on level 2 inputs having regard to recent market transactions for similar properties as the Company's property. There was no indication of impairment in value during 2014.

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

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5 PROPERTY AND EQUIPMENT (continued)

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

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6 GOODWILL

	2014	2013
At 1 January	175,323	124,377
Exchange rate adjustments	(1,765)	3,215
Acquisition through business combination (Note 27)	323	47,731
At 31 December	**173,881**	175,323

a) Analysis of Goodwill

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

	2014	2013
Jordan	125,036	125,223
Maldives	21,870	21,871
CIIM	18,649	19,818
Others	8,326	8,411
At 31 December	**173,881**	175,323

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 fair values less costs to sell 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 amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations ranges between 10% to 14%. No impairment losses were recognised in 2014 (2013: 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 fair values less costs to sell calculations is sensitive to the above changes, and could result in a materially significant change in the carrying value of the goodwill and related assets.

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7 INTANGIBLE ASSETS

31 December 2014	**Licenses**	**Other Intangibles**	**2014**
Cost			
At 1 January	135,162	92,276	227,438
Additions during the year	-	2,196	2,196
Acquisition through business combination (Note 27)	-	330	330
Disposals during the year	-	(1,803)	(1,803)
Effect of movements in exchange rates	(2,720)	(1,708)	(4,428)
At 31 December	**132,442**	**91,291**	**223,733**
Amortisation			
At 1 January	29,871	35,405	65,276
Charge for the year	9,183	10,203	19,386
Disposals during the year	-	(1,765)	(1,765)
Effect of movements in exchange rates	(531)	(445)	(976)
At 31 December	**38,523**	**43,398**	**81,921**
Net book value			
At 31 December 2014	**93,919**	**47,893**	**141,812**

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

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8 INVESTMENT IN ASSOCIATE

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

	2014	2013
At 1 January	76,043	77,417
Receipts from associate & other adjustment	(4,068)	(7,331)
Share of profit of associate (net)	3,818	5,957
At 31 December	**75,793**	76,043

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2014; 2013: as of 30 November 2013) is as follows:

	2014	2013
Non-current assets	90,148	88,946
Current assets	71,194	87,846
Non-current liabilities	(77,682)	(89,249)
Current liabilities	(51,307)	(44,595)
Revenues	85,174	92,701
Net profit and total comprehensive income for the period	10,731	14,292
Dividends received by the Group	3,047	1,896

9 OTHER INVESTMENTS

	2014	2013
Available-for-sale investments:		
- Quoted equity securities (at fair value)	16,003	34,190
- Unquoted equity securities (at cost)	815	682
- Debt securities (at fair value)	18,648	567
	35,466	35,439

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). In 2014, the Group recognised impairment loss of BD16.79 million as a result of decline in the fair value of the investment with the statement of profit or loss.

During the year, Umniah Mobile Company PSC ("Umniah") invested BD 133 in unquoted equity securities of a new company to provide the mobile payment solutions in Jordan.

In June 2014, the Group invested BD 18.8 million (including commission costs) in Bahrain Sovereign Wealth Bonds. These bonds have varying maturities ranging from 2020 to 2023 and carry a fixed semi-annual coupon interest ranging from 5.5% per annum to 6.125% per annum on the face value.

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10 TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	92,269	83,660
Less impairment allowance	(24,331)	(24,273)
	67,938	59,387
Unbilled revenue	7,397	7,416
Prepaid expenses and other receivables	42,928	52,894
	118,263	119,697

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

	2014	2013
Customers' accounts	48,934	41,215
Telecommunications operators	19,004	18,172
	67,938	59,387

The aging of trade receivables at the reporting date was as follows:

	2014	2013
Neither past due nor impaired	19,484	16,361
Overdue:		
- Up to 90 days	16,621	15,889
- 91-180 days	7,981	9,618
- More than 180 days	48,183	41,792
Gross trade receivables	92,269	83,660
Impairment provision	(24,331)	(24,273)
Net trade receivables	**67,938**	59,387

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment was as follows:

	2014	2013
At 1 January	24,273	15,724
Acquisition through business combination	20	2,476
Impairment loss recognised during the year (Note 21)	4,448	6,195
Effect of movements in exchange rates	(210)	-
Written off during the year	(4,200)	(122)
At 31 December	**24,331**	24,273

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11 CASH AND BANK BALANCES

	2014	2013
Cash in hand	395	416
Cash at bank	149,790	198,170
Cash and bank balances	**150,185**	198,586

Cash and bank balances include BD 54,453 (2013: BD 3,516) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded for the purposes of statement of cash flows.

12 TRADE AND OTHER PAYABLES

	2014	2013
Trade payable	33,495	30,229
Amounts due to telecommunications operators	17,535	15,861
Provisions, accrued expenses and other payables	100,120	106,807
Customer deposits and billings in advance	23,984	21,460
Current tax liability	5,485	6,246
	180,619	180,603

Trade and other payables are classified as follows:

	2014	2013
Current liabilities	175,921	173,352
Non-current liabilities	4,698	7,251
	180,619	180,603

13 PROVISIONS

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

	Employee redundancy/ restructuring program		**Donations**		**Asset retirement obligation**	
	2014	2013	**2014**	2013	**2014**	2013
At 1 January	701	8,326	3,096	2,738	2,999	-
Acquisition through business combination	-	-	-	-	-	2,924
Amounts provided during the year	-	488	1,090	1,503	129	104
Amounts written back during the year	-	(617)	-	-	-	-
Amounts paid during the year	(701)	(7,496)	(1,065)	(1,145)	-	(29)
At 31 December	**-**	701	**3,121**	3,096	**3,128**	2,999

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14 INCOME TAXES

Amounts recognised in profit or loss for the year

	2014	2013
Current tax expense	8,936	7,285
Deferred tax expense	(2,765)	(2,341)
Tax expense for the year	**6,171**	4,944

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

Reconciliation of actual to expected tax charge

	2014	2013
Profit before tax	**63,559**	56,398
Corporation tax rate of 0 % in Bahrain (2013: 0 %)	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,171	4,944
Tax expense for the year	**6,171**	4,944
Profit after tax for the year	**57,388**	51,454

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

		2014	2013
At 1 January		25,875	3,634
Credit to the consolidated income statement		(2,328)	(1,497)
Acquisition through business combination		-	22,916
Credit to the equity	(Note 24)	(186)	(158)
Exchange differences		(784)	980
At 31 December		**22,577**	25,875

The recognised deferred tax asset of BD 3,733 (2013: BD 3,172) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Guernsey jurisdictions.

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15 LOANS AND BORROWINGS

		2014	2013
a) Current			
Banque Saudi Franci	*(i)*	-	2,213
Arab Banking Corporation (B.S.C.)	*(ii)*	-	754
		-	2,967
b) Non-current			
Bonds	*(iii)*	176,523	227,400
Banque Saudi Franci	*(i)*	-	12,174
		176,523	239,574
		176,523	242,541

(i) In order to finance the Company's subscription of rights share issue of the investee company, the Company obtained a long term loan of BD 17.7 million during 2012. The loan bore an interest at a rate of SAIBOR + 1.75 % margin per annum. The tenor of loan was 8 years. The loan amount was fully settled during 2014.

(ii) During 2012, Umniah Mobile Company PSC ("Umniah") obtained a revolving short-term loan in the amount of BD 9.8 million from Arab Banking Corporation (B.S.C.). The purpose of this loan was to finance the general business purposes of Umniah. The loan bore an interest at rate of LIBOR + 1.6% margin per annum. The termination date was twelve months after the effective date of the signed loan agreement; however, an amendment to the loan agreement was signed during 2013, whereby the loan term was extended for twelve months with an interest rate of LIBOR + 1.75% with the option of extending the termination date for further twelve months with an interest rate of LIBOR + 2% under the request of the Company. Umniah has fully settled the loan amount as of 31 December 2014.

(iii) In May 2013 the Group issued bonds of BD 245.1 million (USD 650 million) which are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years, are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

During 2013, the Group purchased and retired BD 14.9 million (USD 39.5 million) of the bonds issue. In January 2014, the Group further purchased and retired BD 2.2 million (USD 6.2 million) of the bonds issue. On 24 March 2014, the Group launched an invitation to holders of the bonds to submit offers to sell their bonds to the Group for cash. On 2 April 2014, the Group accepted for purchase an aggregate principal amount of BD 49.5 million (USD 131.4 million) of the bonds at a purchase price of USD 1,000 per USD 1,000 principal amount, which was settled on 4 April 2014 along with the accrued interest thereon.

16 SHARE CAPITAL

	2014	2013
a) Authorised		
2,000 (2013: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid:		
1,663 (2013: 1,584) million shares of 100 fils each	**166,320**	158,400

- In March 2014, the Annual General Meeting of shareholders approved to distribute one bonus share for every 20 shares (i.e. issued 79.2 million shares) held by the shareholders. The Company has only one class of equity shares and the holders of these shares have equal voting rights.

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

Name	**Nationality**	**Number of shares (thousands)**	**% of share holding**
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	609,494	37
Amber Holdings Limited	Cayman Islands	332,640	20
Social Insurance Organisation	Bahrain	339,973	20

- Distribution schedule of equity shares:

Categories	**Number of shares (thousands)**	**Number of shareholders**	**% of total outstanding shares**
Less than 1 %	270,713	10,930	16
1 % up to less than 5 %	110,380	3	7
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,282,107	3	77
	1,663,200	**10,936**	**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. No transfer was made during the year 2014 by the shareholders of the Company. The shareholders of Umniah in their meeting held on 23 November 2014 approved transfer to general reserve of BD 54 of which Group's share was BD 52.

18 DIVIDENDS

The dividends paid in 2014 and 2013 were BD 32.4 million (20 Fils per share) and 39.6 million (25 Fils per share) respectively. The dividends paid in 2014 include an amount of BD 15.8 million relating to the final dividend for the year ended 31 December 2013 and interim dividend of BD 16.6 million for the year 2014. The total dividend in respect of the year ended 31 December 2014 of 25 Fils per share, amounting to BD 41.58 million (including final dividend of BD 24.95 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 18 March 2015. These financial statements do not reflect the final dividend payable.

19 REVENUE

	2014	2013
Mobile telecommunications services	176,346	165,573
Data communication circuits	60,706	59,751
Internet	44,108	41,847
Wholesale	37,863	39,186
Fixed line telecommunication services	28,913	26,936
Others	41,720	37,268
	389,656	370,561

20 NETWORK OPERATING EXPENSES

	2014	2013
Outpayments to telecommunications operators	57,069	61,194
Cost of sales of equipment and services	39,890	34,718
Repair, maintenance & other direct cost	22,415	23,386
Licence fee	10,274	9,458
Operating lease rentals	9,471	10,742
	139,119	139,498

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21 OTHER OPERATING EXPENSES

	2014	2013
Marketing, advertising and publicity	11,848	13,963
Impairment allowances for trade receivables	4,448	6,195
Professional fees	2,694	9,225
Office rental and utilities	4,536	3,642
Other expenses	26,530	21,996
	50,056	55,021

22 FINANCE AND OTHER INCOME

	2014	2013
Rental income	232	222
Interest income	1,485	1,179
Others	7,409	3,061
	9,126	4,462

23 FINANCE AND OTHER EXPENSES

These include interest charges of BD 8,642 (2013: BD 10,921) during the year in relation to the Group's loan and borrowings.

24 EMPLOYEE BENEFIT ASSETS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.1 (2013: BD 4.2) million. The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.3 (2013: BD 3.2) million and is included under provisions and accrued expenses.

a) Defined benefit scheme

At 31 December 2014, the Group operates a defined benefit pension plan (the Scheme) in Sure (Guernsey) Ltd for the employees of that company. Under the Scheme, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund. The Scheme was closed to new entrants from 1 April 2005 and was closed to future accrual by current members on 31 July 2014. This gave rise to the recognition of a past service credit of BD 1,881 during the year and an additional cost of BD 206 included in staff costs.

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24 EMPLOYEE BENEFIT ASSETS (continued)

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

	2014			2013		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/ (asset)**	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability/ (asset)
At 1 January 2014/ (1 April 2013)	44,405	(43,949)	456	42,347	(42,781)	(434)
Included in profit or loss						
Current service cost	653	-	653	784	-	784
Interest costs/ (income)	1,968	(1,966)	2	1,351	(1,379)	(28)
Expense Costs	-	273	273	-	86	86
Past service credit	(1,881)	-	(1,881)	-	-	-
Settlement cost	79	-	79	-	-	-
	819	**(1,693)**	**(874)**	2,135	(1,293)	842
Included in OCI						
Remeasurement loss/(gain)						
Actuarial changes arising from						
- demographic assumptions	996	-	996	-	-	-
- financial assumptions	3,698	-	3,698	882	-	882
- experience adjustments	(515)	-	(515)	(631)	-	(631)
Return on plan assets excluding interest income	-	(3,123)	(3,123)	-	1,330	1,330
Effect of movements in exchange rates	(2,733)	2,746	13	111	(67)	44
	1,446	**(377)**	**1,069**	362	1,263	1,625
Other						
Contributions paid by the employer	-	(840)	(840)	-	(1,577)	(1,577)
Benefits paid	(1,534)	1,534	-	(589)	589	-
Employee contributions	115	(115)	-	150	(150)	-
At 31 December	**45,251**	**(45,440)**	**(189)**	44,405	43,949	456

The deferred tax on amounts included in OCI was BD 186.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

	2014	2013
Employer's part of current service cost	653	784
Interest costs on benefit obligation	2	(28)
Expense cost	273	86
Past service credit	(1,881)	-
Settlement cost	79	-
	(874)	**842**

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24 EMPLOYEE BENEFIT ASSETS (continued)

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

	2014	2013
Equities	6,248	12,657
Bonds	11,549	16,880
Diversified growth fund	6,431	11,318
Others	21,212	3,094
	45,440	43,949

The following table sets out the principle actuarial assumptions used for the Scheme:

Assumptions	**2014**	2013
Price inflation	**3.5%**	3.8%
Discount rate	**3.8%**	4.5%
Pension increases	**3.5%**	3.8%
Life expectancy of male aged 60 in 2014	**27.8**	27.8
Life expectancy of male aged 60 in 2034	**30.3**	30.3

25 EARNINGS PER SHARE ("EPS")

	2014	2013
Profit for the year attributable to equity holders of the Company	**49,347**	43,605
Weighted average number of shares outstanding during the year (in million)	**1,663**	1,663
Basic earnings per share (Fils)	**29.7**	26.2

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

26 COMMITMENTS AND CONTINGENCIES

a) Guarantees

(i) As at 31 December 2014, the Group's banks have issued guarantees, amounting to BD 7.3 (2013: BD 6.8) million and letters of credit amounting to BD 8.1 (2013: Nil) million.

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26 COMMITMENTS AND CONTINGENCIES (continued)

(ii) The Company has furnished a guarantee for BD 5.1 (2013: BD 5.8) million to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(iii) The Company has furnished a comfort letter for BD 1.9 (2013: BD 1.9) million to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Operating leases

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

	2014	2013
Future minimum lease payments		
Within one year	3,741	4,209
After one year but not more than five years	14,555	10,587
	18,296	14,796

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% (2013: 75 %) of the loan interest. At 31 December 2014, the Company has an outstanding guarantee of BD 1.3 (2013: BD 1.5) million towards housing loans to staff.

d) Commitments

The Group has capital commitments at 31 December 2014 amounting to BD 15.8 (2013: BD 4.6) million.

e) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 5.9 (2013: BD 5.7) million. The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

27 ACQUISITION OF BUSINESSES

a) Acquisition of Foreshore Limited

In July 2014, Sure (Jersey) Limited (Group's wholly owned subsidiary in Jersey), acquired 100% of the share capital of Foreshore Limited, a company registered in Jersey and involved in provision of data center services. The total consideration for the transaction is BD 1.11 million. The acquisition is part of the Group's strategy of expanding the scale and scope of the Group's operations whilst maintaining its financial position.

The Group, as on date of issue of these consolidated financial statements, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed and residual goodwill arising from the acquisition. The valuation exercise to determine fair value of certain tangible and intangible assets is currently underway and pending completion as at the reporting date. Therefore, balances of the acquired company included in Group's consolidated financial statements from the date of acquisition have been reported on a provisional basis as permitted by IFRS 3 *Business Combinations.*

The below reported amounts represent the provisional fair values as at 31 July 2014 (and are reflective of carrying values at acquisition date, 18 July 2014) with the differential consideration accounted for as provisional goodwill amounting to BD 0.32 million.

As at 18 July 2014	**BD'000**
Plant and equipment	536
Intangible assets	330
Accounts and other receivables	967
Deferred tax asset	137
Bank and cash balances	14
Accounts and other payable	(1,197)
Total identifiable net assets	**787**
Goodwill arising on acquisition	323
Purchase consideration – All in cash	**1,110**

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

27 ACQUISITION OF BUSINESSES (continued)

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

	BD'000
Carrying values of assets acquired and liabilities assumed at the acquisition date	1,333
Fair value adjustment on:	
Plant and equipment	(1,013)
Identifiable intangible assets	330
Deferred tax asset	137
Total identifiable net assets	**787**

The Group incurred acquisition-related costs amounting of BD 68 on legal fees and due diligence costs. These costs are excluded from the consideration transferred and have been recognised as an expense in profit or loss in current year, within the '*other operating expenses*' line item.

An analysis of cash flows on acquisition (included in cash flows from investing activities) is as follows:

	BD'000
Net cash consideration paid	1,110
Net cash acquired with the subsidiary	(14)
Net cash flows from acquisition of businesses	**1,096**

During the period from the date of acquisition to 31 December 2014, the acquired entity contributed revenue of BD 1.24 million and profit of BD 0.03 million to the Group's results after profit allocated to NCI. Management estimates that if the acquisition had occurred on 1 January 2014, then consolidated revenue of the Group would have been BD 390.54 million and consolidated profit for the year would have been BD 49.40 million. In determining these amounts, management has assumed that provisional fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

b) Acquisition of additional stake in Quality Net

On 8 April 2014, the Group acquired an additional 46% interest in Quality Net increasing its controlling stake from 44% to 90%. The total consideration for the additional interest amounted to BD 17.99 million, (including a contingent consideration of BD 3.03 million). Consequently, the Group recognised:

- a decrease in non-controlling interest of BD 4.86 million;
- a decrease in retained earnings by BD 12.14 million due to amount paid over the carrying value of NCI; and
- a decrease in the translation reserve of BD 0.99 million.

The carrying value of Quality Net's asset in Group financial statements on the date of acquisition was BD 10.57 million. The following summarises the changes in Group's ownership interest in Quality Net:

	BD'000
Group's ownership interest at 1 January 2014	4,160
Acquisition of NCI	4,860
Share of total comprehensive income	(1,284)
Group's ownership interest at 31 December 2014	**7,736**

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27 ACQUISITION OF BUSINESSES (continued)

c) Acquisition of M&I portfolio

During the previous year, the Group acquired certain businesses from Cables and Wireless Communications Plc (CWC) and performed preliminary valuation of the acquired identifiable assets and liabilities (please refer note 27 of the consolidated financial statements of the Group for the year ended 31 December 2013). As permitted by IFRS 3 Business Combinations, these valuations were finalized during 2014 and did not result in any further changes to the reported values as at 31 December 2013.

28 NON-CONTROLLING INTEREST (NCI)

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

	2014		2013	
Entity	**Qualitynet**	**Dhiraagu**	Qualitynet	Dhiraagu
NCI Share	**10%**	**48 %**	56 %	48 %
Non-current assets (excluding goodwill)	9,985	85,843	11,318	113,473
Current assets	22,995	28,832	25,425	25,060
Non-current liabilities	-	(8,568)	-	(8,851)
Current liabilities	(24,385)	(14,432)	(27,290)	(12,052)
Net assets	**8,595**	**91,675**	9,453	117,630
Carrying amount of NCI	**859**	**44,004**	5,293	46,316
Revenue	26,107	51,790	31,333	38,177
Profit & total comprehensive income	**5,449**	**14,082**	5,484	11,818
Profit allocated to NCI	**1,044**	**6,759**	3,071	4,553
Cash flows from operating activities	2,988	26,240	10,723	17,827
Cash flows from investing activities	(1,440)	(4,942)	(2,051)	(3,617)
Cash flows from financing activities, before dividends to NCI	-	(1,354)	-	(1,473)
Cash flows from financing activities - cash dividends to NCI	(595)	(9,117)	(4,467)	(4,406)
Net increase in cash and cash equivalents	**953**	**10,827**	4,205	8,331

29 TRANSACTIONS WITH RELATED PARTIES

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

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

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29 TRANSACTIONS WITH RELATED PARTIES (continued)

The key management personnel compensation is as follows:

	2014	2013
Short-term employee benefits	1,923	1,853
Post-employment benefits	72	101
Total key management personnel compensation	**1,995**	1,954

	2014	2013
Post-employment benefits outstanding	**192**	176
Directors remuneration (including sitting fees)	**664**	579

(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:

	2014	2013
Total number of shares held by Directors	**729,367**	4,235,110
As a percentage of the total number of shares issued	**0.04%**	0.27 %

30 COMPARATIVES

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

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31 SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, CIIM and Others. Others include South Atlantic, Diego Garcia, Kuwait, Yemen, and Egypt. Segment information disclosed for the year ended 31 December 2014 is as follows:

	Year ended 31 December 2014							Year ended 31 December 2013 – Restated*						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Revenue (external customers)	163,904	87,534	51,785	51,664	34,769	-	**389,656**	168,899	91,443	38,177	35,040	37,002	-	370,561
Inter segment revenues	4,093	2,291	5	-	2,235	(8,624)	**-**	4,321	848	-	-	1,947	(7,116)	-
Finance and other income	4,200	319	425	64	5,750	(1,632)	**9,126**	4,894	110	(510)	5	1,340	(1,377)	4,462
Depreciation and amortisation	22,198	17,191	12,091	10,415	5,134	-	**67,029**	20,252	16,394	9,140	7,840	4,266	-	57,892
Finance and other expenses	8,509	1,567	1,235	-	59	(1,062)	**10,308**	16,308	1,729	121	2	(3)	(1,377)	16,780
Share of profit of associate	-	-	-	-	3,818	-	**3,818**	-	-	-	-	5,957	-	5,957
Profit for the year	37,832	8,094	14,082	1,958	(4,380)	(198)	**57,388**	35,554	5,721	9,551	(940)	1,568	-	51,454

	As at 31 December 2014							As at 31 December 2013 – Restated*						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter - segment elimination	Total
Non-current assets	151,266	220,905	107,713	96,489	124,013	(14,353)	**686,033**	154,187	230,463	113,473	103,413	125,580	(7,827)	719,289
Current assets	174,978	16,878	28,832	14,971	107,638	(70,553)	**272,744**	228,172	17,470	25,060	14,331	112,851	(75,009)	322,875
Total assets	**326,244**	**237,783**	**136,545**	**111,460**	**231,651**	**(84,906)**	**958,777**	382,359	247,933	138,533	117,744	238,431	(82,836)	1,042,164
Current liabilities	101,831	56,885	14,432	7,911	31,309	(36,447)	**175,921**	95,472	57,110	12,052	9,954	31,758	(30,027)	176,319
Non-current liabilities	176,524	2,498	8,568	9,154	44,754	(37,700)	**203,798**	242,690	3,738	8,851	11,190	43,475	(37,244)	272,700
Total liabilities	**278,355**	**59,383**	**23,000**	**17,065**	**76,063**	**(74,147)**	**379,719**	338,162	60,848	20,903	21,144	75,233	(67,271)	449,019

*2013 figures are restated primarily for the inclusion of Channel Islands and Isle of Man (CIIM) as a reportable segment.

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32 LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY IN BAHRAIN

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
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
254 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites.	GSM & fixed telephone network	Rented