Annual Report 2020

Batelco

Contents:

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His Majesty
King Hamad bin Isa
Al Khalifa

The King of
the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad
Al Khalifa

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

INTRODUCTION

Always connected

Serving our customers and the community is embedded in our corporate values, and throughout the past extraordinary year, we took steps to continue serving our customers in the best ways possible, while supporting national initiatives in the fight against the Coronavirus pandemic.

To continue delivering to our customers with convenience and ease, we fast-tracked our digital transformation journey and activated new initiatives. A big part of delivering a great experience is to have excellent systems and processes, and during 2020 we completed crucial IT system upgrades, designed to help us serve our customers better, leading to faster transaction times and a superior customer experience.

To help with the increased dependence on remote learning and working Batelco boosted the internet speeds for fiber customers, by up to 5 times from July 2020. The benefit delighted customers and also contributed to Bahrain's improved ranking by over 30 places, for fixed internet speed, according to Ookla, the global leader in fixed broadband and mobile network testing applications.

Batelco built on its successful 5G journey and achieved a great "first" with the announcement of national 5G coverage, reaching 95% of Bahrain's population across all 4 governorates and positioning Bahrain among the leading countries in the world for national 5G coverage.

Among Batelco's initiatives to support the community, was a contribution of BD3.5M to the Feena Khair nation-wide efforts to combat the Coronavirus and the provisioning of 60,000 face masks for distribution in the local community through a collaboration with Bahraini Productive Families.

Batelco's efforts throughout the year have contributed to market confidence, which is reflected in increased share prices from the middle of 2020 ongoing, with the Company's share price reaching its highest levels since 2011. This is particularly gratifying given the extraordinary times that we have experienced during 2020 due to COVID-19.

2020 was an extraordinary year which challenged all our previous experience and plans; however, we are very pleased with all that we achieved while delivering strong financial results and improved value for shareholders.

VISION, MISSION & VALUES

BATELCO'S VISION

Be a leading provider of innovative digital services and connectivity to empower people, enable businesses and enrich society.

BATELCO'S MISSION

To serve and inspire our customers by building, operating and investing in digital services, forefront technology and connectivity.

VALUES
– iCARE

Our values define how we work together as a team, how we serve our customers and guides our behaviour as well as decision making.

ANNUAL HIGHLIGHTS

Batelco announced a 10% increase in net profit, reaching BD56.7M for the full year 2020, as compared to BD51.6M in 2019

Batelco ended 2020 with solid financial results.

Operating Profit

BD81.1m

(2019: BD75.5m)

Consolidated Net Profit

BD56.7m

(2019: BD51.6M)

Gross Revenue

BD387.3m

(2019: BD401.5M)

EBITDA

BD154.7m

(2019: BD141.7 M)

Net Assets

BD512.1m

(2019: BD513.4M)

Cash & Bank Balance

BD195.3m

(2019: BD175.5M)

Earnings Per Share

34.2fils

(2019: 31.2 FILS)

EBITDA Margin

40%

(2019: 35%)

Net Profit Margin

15%

(2019: 13%)

BOARD OF DIRECTORS

Shaikh Abdulla bin Khalifa Al Khalifa
Chairman

Mr. Raed Abdulla Fakhri
Deputy Chairman

Batelco's share price which during 2020 reached its highest level since 2011 remains strong and reflects the confidence that the market and investors have in Batelco.

Mr. Abdulla Abdulhameed Alhammadi
Director

Mr. Abdulla Abdulrazak Bukhowa
Director

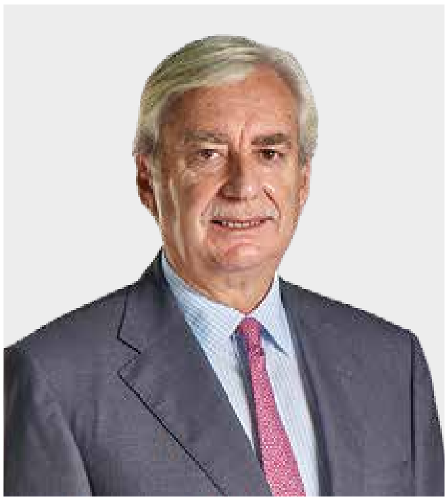
Profiles of the Board of Directors are on pages 66-71 Corporate Governance.

Mr. Ahmed Abdulwahed Abdulrahman
Director

Shaikh Ali bin Khalifa Al Khalifa
Director

Major General Ali Saqer AlNoaimi
Director

Ms. Fatema Ghazi Alarayedh
Director



Mr. Jean Christophe Durand
Director

Mr. Khalid Hussain Taqi
Director

* The below members have served until 25 March 2020
Rear Admiral Yousif Malallah AlSabt - Deputy Chairman
Mrs. Khulood Rashid Al Qattan – Director
Mr. Arif Haider Rahimi - Director
Mr. Ahmed Ateyatalla Al Hujairy – Director
Mr. Oliver Finn McFall – Director

A modern workplace

Work is no longer confined to the office. The latest communication technologies ensure work commitments are met, regardless of location.

Powering a connected world.

CHAIRMAN'S STATEMENT

DELIVERING VALUE FOR OUR SHAREHOLDERS REMAINED CENTRAL IN 2020

BD56.7m

Consolidated Net profit

"We are committed to applying best practice corporate governance to support Batelco's strategy and achieve its vision while ensuring that shareholder value is maximised."

Abdulla bin Khalifa Al Khalifa
Chairman of the Board

On behalf of the Board of Directors, it gives me great pleasure to present the 39th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (Batelco), for the year ended 31st December 2020.

Batelco achieved strong financial results for 2020 with a 10% year-over-year increase in net profit attributable to equity holders of BD56.7M (US$150.4M).

The 2020 results reflect the company's commitment to achieve its strategic objectives and effective cost management while adapting quickly to the challenges faced during the year. Whilst gross revenues of BD387.3M (US$1,027.3M) are 4% below 2019, the company reduced its operating costs by 10% resulting in EBITDA of BD154.7M (US$410.3M), 9% above the prior year and with a healthy margin of 40%.

Batelco's balance sheet remains strong with total assets of BD992.2M (US$2,631.8M) and net assets of BD512.1M (US$1,358.4M) as of 31 December 2020. The Company ended the year with substantial cash and bank balances of BD195.3M (US$518.0M) and a robust Net Debt to EBITDA ratio of 0.7x.

In line with increasing shareholder value and delivering excellent returns, Batelco increased its interim dividend by 35% from 10 fils to 13.5 fils earlier this year. 2020 also marked significant increases in Batelco's share price, which reached its highest level since 2011.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2020.

BD millions	2020	2019
Final cash dividends proposed	27.44	29.11
Interim cash dividends paid	22.36	16.55
Donations	4.39	1.29
Transfer to statutory reserve	-	0.23

Batelco is committed to consistently delivering attractive returns to its shareholders. Accordingly, the Board of Directors has recommended a full year cash dividend of BD49.8M (US$132.1M), at a value of 30.0 fils per share to be agreed at the Annual General Meeting, of which 13.5 fils per share was already paid during the third quarter of 2020 with the remaining 16.5 fils to be paid following the AGM in March 2021.

Batelco swiftly adapted to the unprecedented circumstances of 2020 to achieve the strategic objectives of the core strategy, which include a focus on cost containment, resulting in 10% YoY decrease in operating costs and contributing to a 10% increase in net profits over 2019. The efforts are also reflected in the improvements in Operating Profits and EBITDA which increased by 7% and 9% respectively, year on year.

During the year key investments were made in the further development of 5G, which we activated across all four governorates of Bahrain covering 95% of the nation's population. We

CHAIRMAN'S STATEMENT
(CONTINUED)

also launched our latest Tier III Data Center, which is the largest enterprise Data Center in Bahrain. Going forward, Batelco will continue to play its part in providing innovative digital services. This is in line with our vision and being a proud member of Team Bahrain, following the directives of the Kingdom's fifth National Telecommunication Plan, and supporting the telecom sector in accordance with the Kingdom's vision for the digital economy.

Batelco places importance on supporting team members and the corporate culture, as a healthy work environment reflects on the team's performance. We have directed the management to launch several programmes which are focused on developing the work environment and a high-performance culture, such as the Chairman's Award.

As a result of these efforts, Batelco has been ranked the number 1 certified organization in the telecommunication sector across the Middle East in 2020 as a great workplace, by Great Place to Work® Institute Middle East, and we are immensely proud of this achievement.

I take this opportunity to express my sincere gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and Prime Minister, for the government's tremendous support towards the telecoms sector which has been instrumental in our ongoing success.

I appreciate the contribution of the members of the Board who represent diverse backgrounds. Their strong commitment has been vital as we have worked together for the benefit of Shareholders and I would like to thank them for their input. On the same note, I offer my thanks to Batelco's management and all team members who contributed to a successful year.

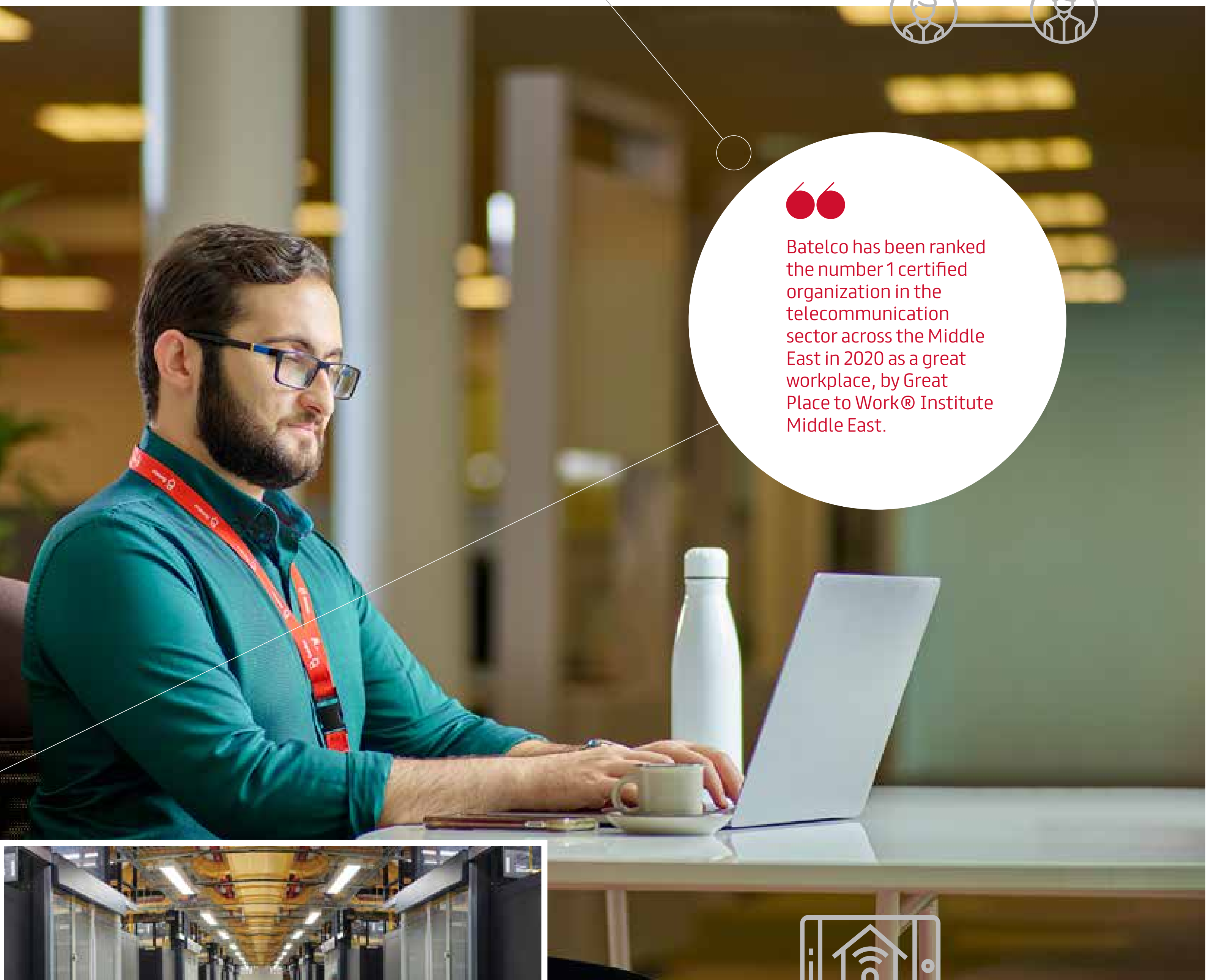
Delivering value for our shareholders remained central in 2020 and we are proud to announce increased EPS for the year. Batelco's share price which during year 2020 reached its highest level since 2011 remains strong and reflects the confidence that the market and investors have in Batelco. I extend appreciation to our shareholders for putting their trust in Batelco's direction and vision, and going forward it remains a priority for us to achieve the best returns for them.

As we move forward in 2021, we will continue to adapt our plans to remain successful and achieve our goals. We are committed to applying best practice corporate governance to support Batelco's strategy and achieve its vision while ensuring that shareholder value is maximised. We have confidence that Batelco's management will make every effort to achieve the set goals and continue raising the bar to achieve more success for Batelco and the telecommunications sector in Bahrain.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2021.

Abdulla bin Khalifa Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC
February 21st 2021



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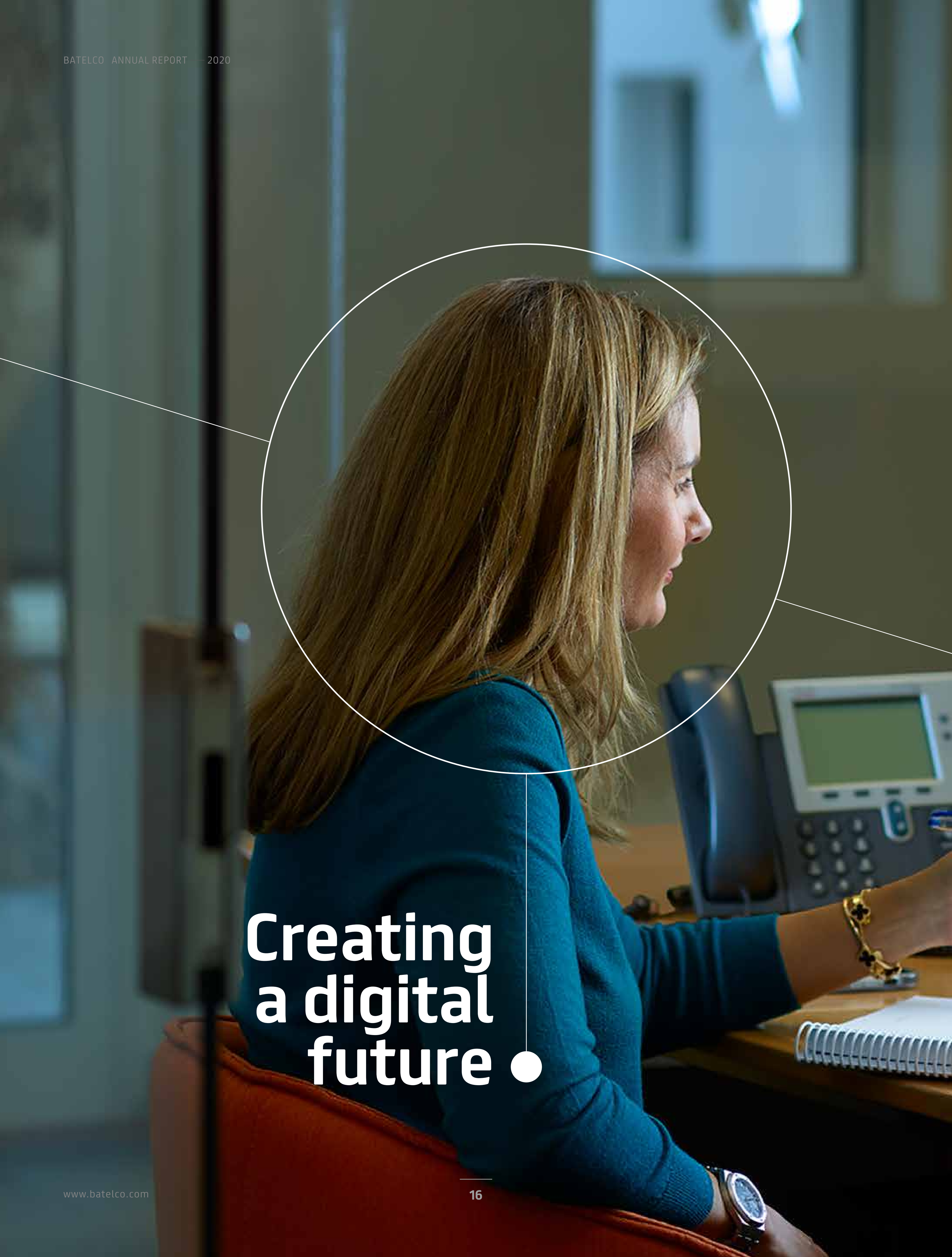
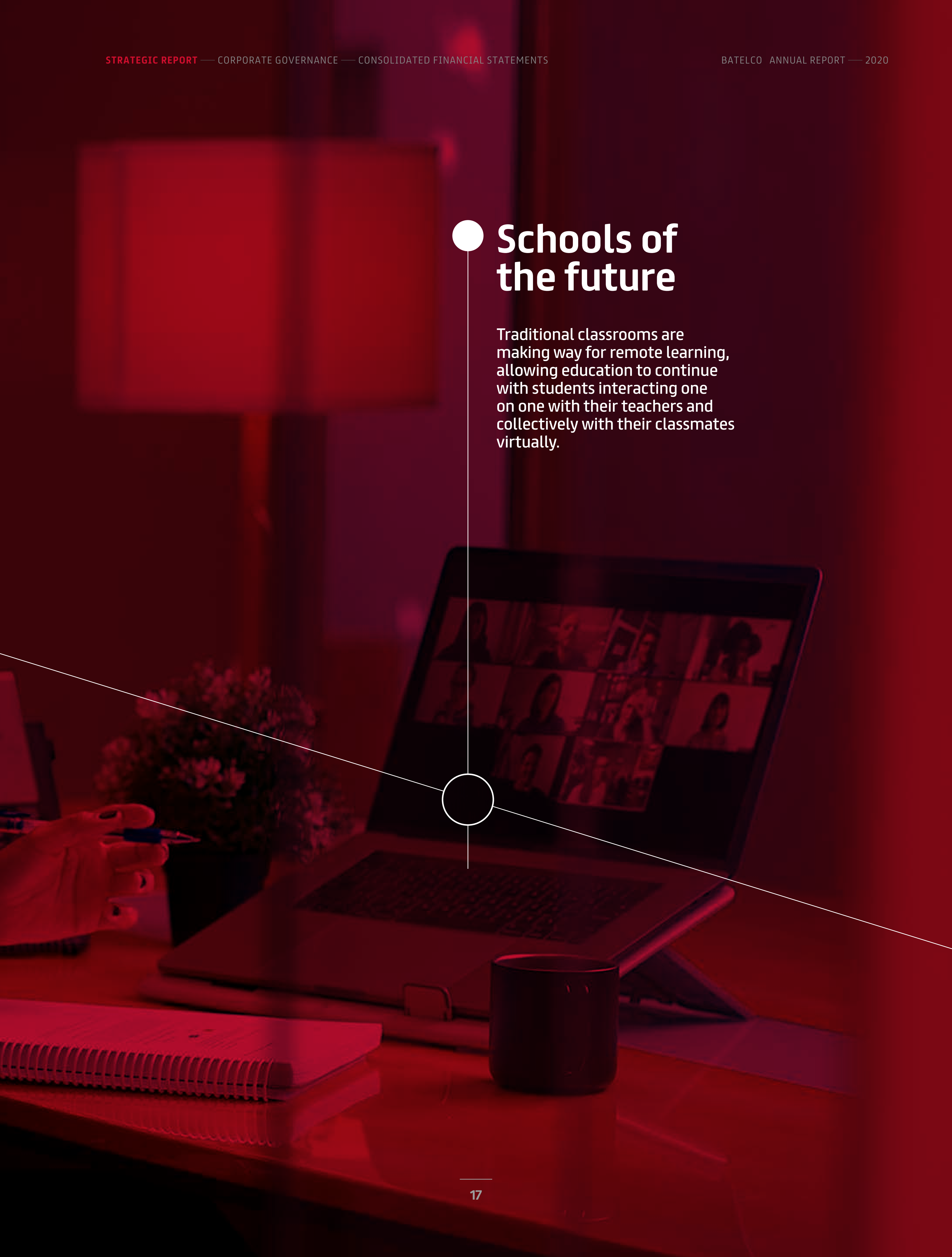


Creating a digital future



Schools of the future

Traditional classrooms are making way for remote learning, allowing education to continue with students interacting one on one with their teachers and collectively with their classmates virtually.

EXECUTIVE MANAGEMENT

Mikkel Vinter
Chief Executive Officer

Faisal Qamhiyah
Chief Financial Officer

We maintained our investment in forefront technology, digital services and connectivity and are pleased with the progress made.

Abderrahmane Mounir
General Manager Enterprise Division

Adel Al-Daylami
Chief Global Business Officer

Shaikh Bader bin Rashid Al Khalifa
General Manager Corporate Communications and CSR

Bilal Adham
Chief Marketing Officer

Buddhadeb Samanta
Head of Internal Audit

Christopher Hild
Chief Strategy Officer

Faisal Al-Jalahma
Chief Human Resources Officer

Karel Staněk
General Manager IT

Maitham Abdulla
General Manager Consumer Division

Shaikh Mohamed bin Khalifa Al Khalifa
Chief Digital Growth Officer

Noora Sulaibeekh
General Counsel and Board Secretary

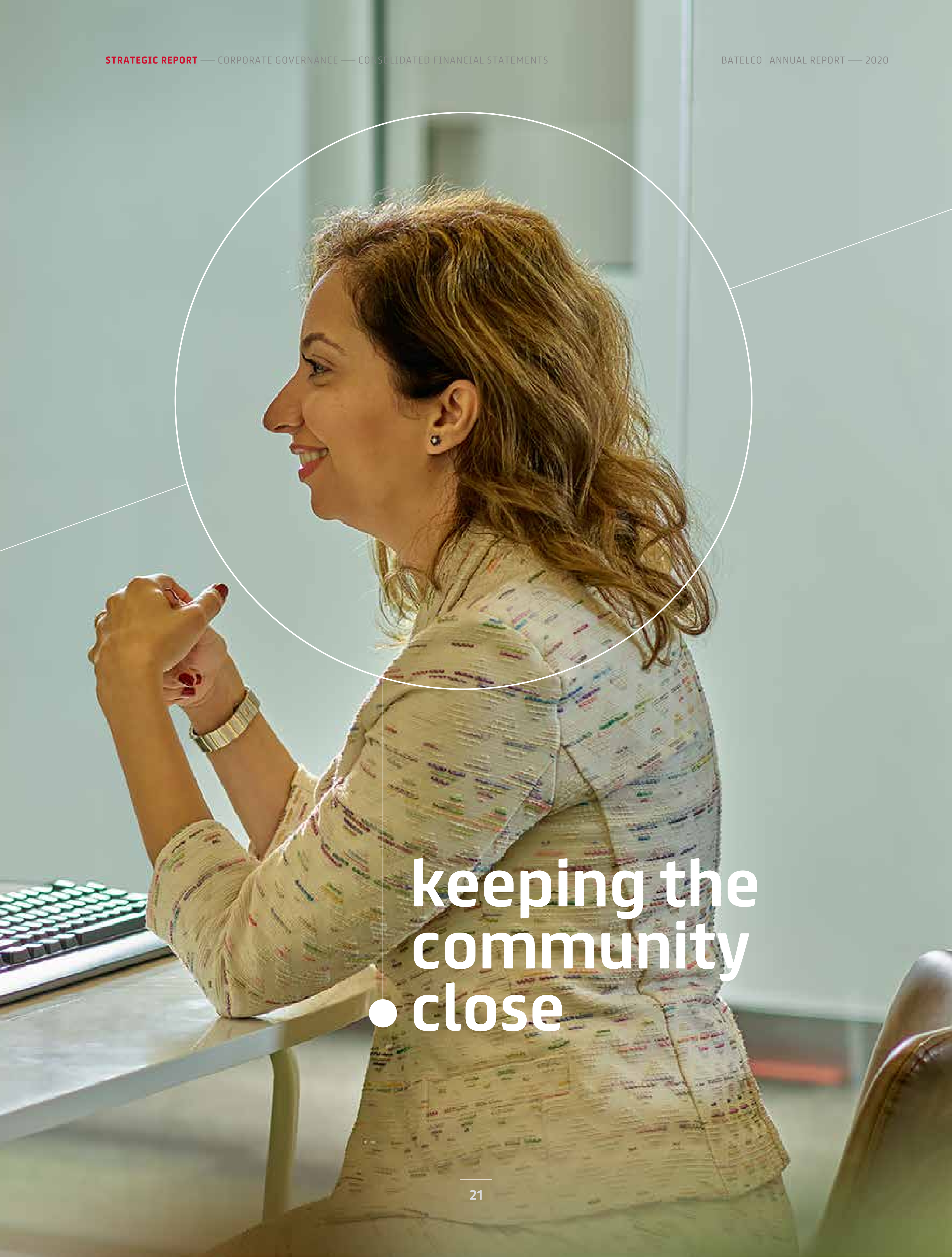
Rashid Mohamed
General Manager Network

Saurabh Gupta
Chief Technical and Information Officer

* Maha Abdulrahman served as GM Consumer Division until 1 April 2020.

Enriching lives

Connecting the community with things that enrich lives, as the digital world reinvents our lifestyle, the way we learn & work, and our entertainment choices.



keeping the community close

CEO MESSAGE

During 2020, we changed the way we operate to address the unprecedented challenges due to COVID-19, including fast-tracking digital initiatives to elevate the way customers are served, and enabling them to complete their daily tasks remotely.

Business Overview

We maintained our investment in forefront technology, digital services and connectivity and are pleased with the progress made. We continued to grow technologically with achievements such as National 5G activation across Bahrain, covering 95% of the nation's population.

We achieved another milestone with our Data Center plans, by launching the largest certified enterprise Tier III Data Center in Bahrain. We look forward in 2021 to welcoming companies onboard, enabling them to focus on their core business while we provide reliable, secure solutions, combined with round-the-clock customer support.

Among other achievements, Batelco signed a partnership agreement with e-Boks, a Nordic provider of secure platforms and digital post-boxes to provide companies and public authorities with a user-friendly platform for digital communications.

Among the enhancements to meet our customers' changing priorities, our new Batelco App was launched leading to over 100% growth in the number of customers using the App. Additionally, as customers turned to digital channels, digital payments and refills showed double digit growth rates.

To accommodate the increased demand on internet services, we upgraded fiber speeds, by up to five times our customer package speeds, at no additional cost, with this initiative contributing towards Bahrain being highly ranked for fixed internet speeds by Ookla, the global leader in fixed broadband and mobile network testing applications.

Commitment to Customers and Community

In addition to our role in providing communication solutions for all customer sectors in Bahrain, Batelco continued to reach out to the community during 2020 through a well-balanced CSR programme, with initiatives developed to support the changing needs within the community.

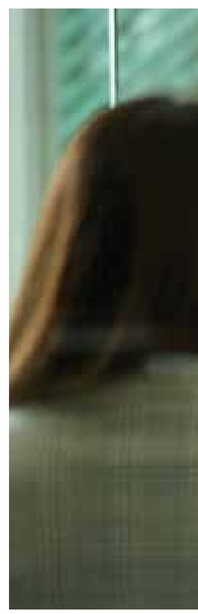
5G
coverage is available across 95% of Bahrain's population

"We changed the way we operate to address the unprecedented challenges due to COVID-19, including fast-tracking digital initiatives."

Mikkel Vinter
Chief Executive officer

OUR STRATEGIC PLANS INCLUDE GROWING OUR REVENUES BEYOND OUR CORE CONNECTIVITY

CEO MESSAGE
(CONTINUED)



> Driving digital growth will remain central to our plans moving forward, to meet the evolving requirements of consumer and business customers.

Early in the year as the Coronavirus pandemic unfolded, we remained committed to stand with the government and the community, and as a proud member of Team Bahrain, Batelco supported the 'There is Good in Us' campaign with a contribution of BD3.5M.

Our projects included enabling Bahraini Productive Families to produce 60,000 face masks to support the families during these difficult times, with the masks distributed by the authorities where most needed. We also supported virtual educational programmes, in collaboration with partners such as INJAZ and Brinc Batelco. Furthermore, we took the needs of small businesses into consideration, and provided 500 of our SME customers with financial support towards their fixed internet costs for three months during 2020.

Our People

We place great emphasis on the needs of our team members and during 2020, we invested much effort in keeping everyone engaged and involved in the business and in creating a great work environment, while over 90% of the them worked remotely. One of the initiatives was the introduction of the Chairman's Award, created to acknowledge and reward Batelco team members who demonstrate exceptional performance and achievement through the year. Three winners were announced by our Chairman Shaikh Abdulla bin Khalifa Al Khalifa and were presented with trophies and cash prizes. We truly appreciate the Chairman's commitment to our people in introducing this prestigious awards programme.

Appreciation for Support

Batelco management and team members rose to meet the challenges of the past year and continued to give their best; I offer my personal appreciation to each of them for their dedication.

I also offer my thanks to our Board of Directors for their ongoing support which has allowed us to push forward with confidence.

On behalf of Batelco's team members, I would like to thank our customers for continuing to choose Batelco products and services. We appreciate their loyalty and will keep their needs foremost in mind during 2021.

Looking Forward

During 2020 we have learned the true meaning of a digital world by navigating the challenges of COVID-19 and driving digital growth will remain central to our plans moving forward, to meet the evolving requirements of consumer and business customers.

Our strategic plans include the further digitization of the customer journey and increasing sales through our digital channels, and additionally, growing our revenues beyond our core connectivity, in digital sectors such as FinTech and GovTech.

Our efforts are designed to support Bahrain's telecommunications sector and the ongoing growth and development of a digital economy in line with Bahrain's 2030 vision.

Mikkel Vinter
Chief Executive Officer

Enabling everyday tasks

Keeping everyone connected to each other to maintain their social bonds, safely and securely and to enable them to carry on with their daily lives

Transforming the customer experience

BNET CEO MESSAGE

BNET MARKS A NEW ERA IN THE TELECOMMUNICATIONS SECTOR

> We are keen to use innovative technologies that follow the highest international standards in our operations, in order to maximize the efficiency and effectiveness of services we provide to our clients".
>
> **Mohamed Bubashait**
> Chief Executive Officer, BNET

2020 was an eventful year at Bahrain's National Broadband Network BNET and marked many achievements as we progressed in the separation process from our mother company "Batelco". September saw the complete separation of BNET's information systems technologies from Batelco's with the successful launch of both the Operations Support System (OSS) and the Business Support System (BSS) powered by Amazon Web Services (AWS) cloud technology. This was in line with the requirements of the National Telecommunication Plan and a significant milestone in the legal separation stage, establishing BNET as an independent entity with its own customer services and operations process management and reinforcing our role as the primary entity responsible for the Kingdom's national broadband network operations, as well as enhancing the quality and effectiveness of the services we provide to our customers.

Since our inception, our goal has been to contribute to accelerating the Kingdom's digital growth and the resilience of its telecommunications sector and support our government's futuristic vision to position Bahrain as a strategic regional hub for information technology. We aim to achieve this by developing National broadband connectivity to the highest standards and enabling a resilient digital telecommunications infrastructure built on secure foundations.

We are also keen to use innovative technologies that follow the highest international standards in our operations, in order to maximize the efficiency and effectiveness of services we provide to our clients. This helps us on our mission to facilitate for sustainable and effective competition and encourage market adaptability. We are focused on customer experience; our priority is to always cultivate strong and meaningful relationships with our customers to ensure their continuous satisfaction.

Moving forward

BNET is working tirelessly on its NBN roll-out plan, to achieve the goal of fiber coverage for 100% of all businesses and 95% of all households across the Kingdom of Bahrain. We have big plans for 2021, and as we prepare to finalize our legal and operational separation from Batelco, we are also devoting our efforts to launch major centres of excellence that meet world-class solutions and standards. These include a service management centre to provide customer services support to licensed service providers in Bahrain, a networks operations centre to ensure the delivery of reliable and stable network services, and a cybersecurity operations center to protect our digital infrastructure.

A note of appreciation

On behalf of the BNET team, I extend our gratitude and appreciation to Batelco Chairman Shaikh Abdulla bin Khalifa Al Khalifa and our own Chairman Shaikh Ali bin Khalifa Al Khalifa and BNET Board of Directors. Their guidance and direction were instrumental to our success in 2020.

I take great pride in every single one of our employees at BNET, as they are the pillars of our success. And I look forward to continue working with the team to build BNET as a key contributor to the Kingdom of Bahrain's transformation into a robust and resilient digital economy.

Mohamed Bubashait
Chief Executive Officer BNET

INTERNATIONAL INVESTMENTS

BATELCO'S OPERATIONS OUTSIDE OF BAHRAIN INCLUDE DIRECT AND INDIRECT INVESTMENTS ACROSS 12 GEOGRAPHIES, NAMELY JORDAN, MALDIVES, GUERNSEY, JERSEY, ISLE OF MAN, DIEGO GARCIA, ST. HELENA, ASCENSION ISLAND, FALKLAND ISLANDS, SAUDI ARABIA, EGYPT, AND YEMEN.

In 2020, the International operations contributed 53% to the Company's revenues and 53% to EDITDA

UMNIAH
Jordan

DHIRAAGU
Maldives

SURE GROUP

SABAFON
Yemen

ETIHAD ATHEEB TELECOM
Saudi Arabia

BATELCO
Egypt

SUBSIDIARIES AND AFFILIATES

Jordan
Umniah

Ziad Shatara
Chief Executive Officer

In 2020 Umniah launched the UWallet app and its Virtual Desktop Infrastructure (VDI), a cloud-based computer service that provides its corporate clients with a virtual working space that offers more flexibility than the traditional computer workstation.

Umniah, a 96% subsidiary of Batelco has established a strong presence in the Jordanian telecommunications market offering high quality mobile, internet and enterprise solutions. The Company continues to drive innovation and digital transformation offering its customers a comprehensive suite of products and solutions. 2020 marked the 15th anniversary of Umniah's launch.

As a result of mandatory lockdowns and the surge in network usage, Umniah expanded its network and infrastructure, increasing the number of towers. The company also continues to expand its fiber optic services and has reached more than 250,000 households.

In 2020 Umniah launched the UWallet App and its Virtual Desktop Infrastructure (VDI), a cloud-based computer service that provides its corporate clients with a virtual working space that offers more flexibility than the traditional computer workstation. The company also updated its cloud offerings with Private Server (VPS) and B2B services targeting SMEs on an even more secure, reliable and highly competitive Internet hosting platform. In another first for Jordan, Umniah launched exclusive self-service kiosk machines that allow customers to make payments, renew subscriptions and settle bills for their mobile and Internet plans.

During the year, Umniah obtained ISO 10001:2018 Quality Management – Customer Satisfaction certification, becoming the first company in Jordan to receive this accreditation. The company also received the international ISO 22301:2012 certification for managing business continuity.

Moving into 2021, Umniah will continue to build on its achievements by maintaining its unwavering commitment to digital transformation, innovation and cutting-edge technologies that cater to the ever-changing needs of its customers.

Maldives
Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)

Ismail Rasheed
Chief Executive Officer &
Managing Director

The Sri Lanka Cable (MSC) landing in the Maldives was celebrated in late 2020, which will enhance network diversity and provide increased internet capacity for the future needs of the people in the Maldives.

Dhivehi Raajjeyge Gulhun PLC (Dhiraagu), incorporated in the Maldives in 1988 and listed on the Maldives Stock Exchange, is the leading digital services and telecommunications provider in the Maldives. The company offers a comprehensive range of mobile, internet, data and fixed line, TV and other services throughout the country. Batelco acquired 52% shareholding of the company in 2013.

The outbreak of COVID-19 global pandemic emphasised Dhiraagu's role in enabling communities, people and businesses more than ever. With most people confined to their homes, and businesses having to limit their operations, the dependency and demand for reliable communication services, and digital applications have increased. The company enhanced customer experience by further strengthening digital touch points and enriching Dhiraagu's digital portfolio for consumers, businesses and communities.

As a result of continued investment, high-speed fibre broadband is now available to 80% of Maldivian national households making Dhiraagu's fibre broadband network the largest high-speed data network in the country. DhiraaguTV as the first IPTV services provider in the Maldives extended its service to 77% of national households.

The Sri Lanka Cable (MSC) landing in the Maldives was celebrated in late 2020, which will enhance network diversity and provide increased internet capacity for the future needs of the people in the Maldives.

Dhiraagu remained committed to aligning its services to meet customer needs with robust contingency and business continuity plans in place. Extensive benefits across all services were offered such as extra data allowances, discounts, payment flexibility and many more to support the country. The company assisted the Government and authorities in their emergency response in relation to the pandemic with setting up the required services for quarantine and isolation facilities and donating COVID-19 sampling kiosks.

SUBSIDIARIES AND AFFILIATES
(CONTINUED)

CIIM and SADG
Sure Group

Ian Kelly
Chief Executive Officer

Reflecting the Sure Group strategy, 2020 was another strong year for the Enterprise segment across the Group with accelerating revenue growth driven by strong double-digit increases in cloud, security and data centre services.

The Sure Group comprises of a number of geographically diverse operations which are wholly owned subsidiaries of Batelco, acquired in 2013. Head quartered in Guernsey, the Group provides telecommunications and related services across the Channel Islands, the Isle of Man and in the British Overseas Territories of the islands of Ascension, Falklands, Saint Helena and Diego Garcia.

In Guernsey, Sure is the leading full service operator with market-leading positions in fixed voice, mobile, broadband and Cloud services and the prime competitor in both Jersey and Isle of Man. In the British Overseas Territories, Sure operates under exclusive licenses with full feature networks delivering voice, broadband data services and in certain markets TV.

2020 was a year dominated by the impact of the COVID-19 pandemic on the seven island communities Sure serves. Sure's investment in resilient and high capacity networks ensured that the company could meet customer demand which rose by more than 40%. With reliance on telecommunications networks more important than ever, Sure has continued to invest in its market leading capability. The company's investment in its 100 Gigabit subsea network, which is set to more than triple internet capacity is on track to complete by mid 2021. Additionally, Sure conducted a Fibre To The Home (FTTH) trial in Guernsey, a 5G trial in the Channel Islands and Isle of Man and saw the 4G services on the new network in Diego Garcia becoming highly adopted. FTTH investments in Guernsey will be accelerated over coming years.

Reflecting the Sure Group strategy, 2020 was another strong year for the Enterprise segment across the Group with accelerating revenue growth driven by strong double-digit increases in cloud, security and data centre services. To further emphasise its Enterprise credentials Sure maintained its extended ISO27001 security standard accreditation, the strongest in this respect in the Channel Islands and maintained ISO22301 for business continuity.

In partnership with the Falkland Islands Government Sure has executed an upgrade to residential broadband with a doubling of backhaul capacity enabling a significantly improved customer experience. In Diego Garcia Sure's newly launched 4G services were highly adopted by customers who enjoyed the faster network and flexibility provided by mobile data.

YEMEN
SABAFON

Sabafon, in which Batelco has a minority shareholding of 26.94%, is a GSM operator in Yemen offering national coverage across the country. The company started its operations in 2001 with the vision to establish a strong, dynamic and flexible organization to serve and benefit the people of Yemen with the latest GSM technology and services.

Sabafon has been operating in a challenging environment due to the existing political instability. Nonetheless, Batelco continues to believe that Sabafon has solid business fundamentals and will be in a leading position to seize opportunities once the geopolitical position improves.

SAUDI ARABIA
ETIHAD ATHEEB TELECOM

Etihad Atheeb Telecommunications Company (Atheeb) was established in 2008 and is a publicly listed company in the Kingdom of Saudi Arabia, in which Batelco holds a 15% stake.

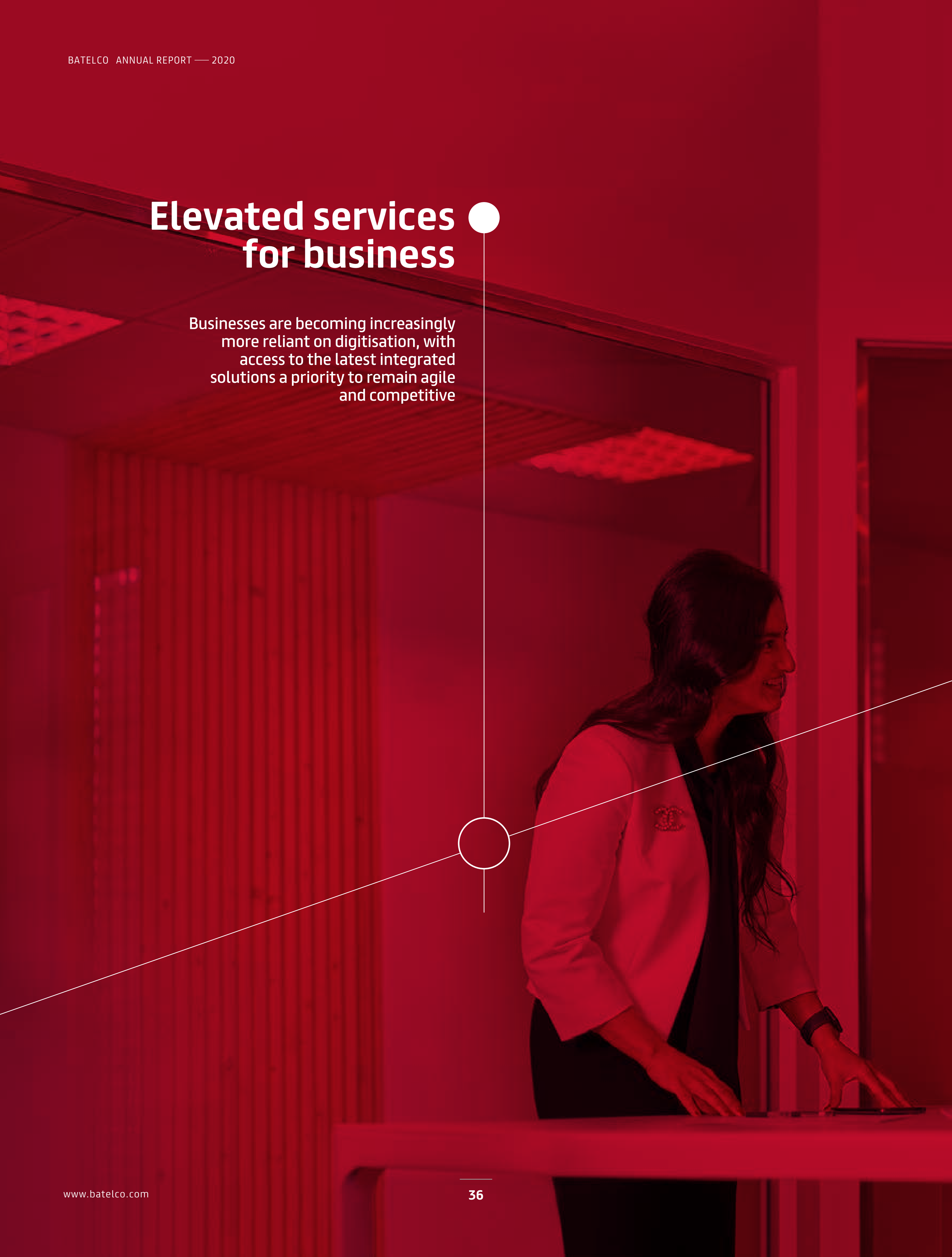
The company operates under the "GO" brand and has a broad portfolio of products and services for both business and retail customers including but not limited to VOIP communication solutions, high-speed data services, wireless broadband internet, fixed line telephony, hosting cloud solutions and enterprise connectivity services.

EGYPT
BATELCO EGYPT COMMUNICATIONS (S.A.E.)

Batelco Egypt is wholly owned by Batelco Group. The company was established in 2003 with a focus on providing end-to-end worldwide data communication solutions to corporates, multinational customers and global telecommunication providers.

Over recent years Batelco's global connectivity to Egypt has been upgraded significantly to accommodate the increasing demand to and from Egypt, allowing Batelco to secure several global contracts. Through partnerships and alliances with other leading providers Batelco is gaining strength in Egypt's enterprise sector among local and multinational companies.

Batelco Egypt is contributing towards Batelco's strategy of building a cloud centric platform by introducing relevant services and enhancing its infrastructure. Such initiatives are serving to broaden the company's portfolio, boost its competitiveness and enrich its service offerings in and out of Egypt.

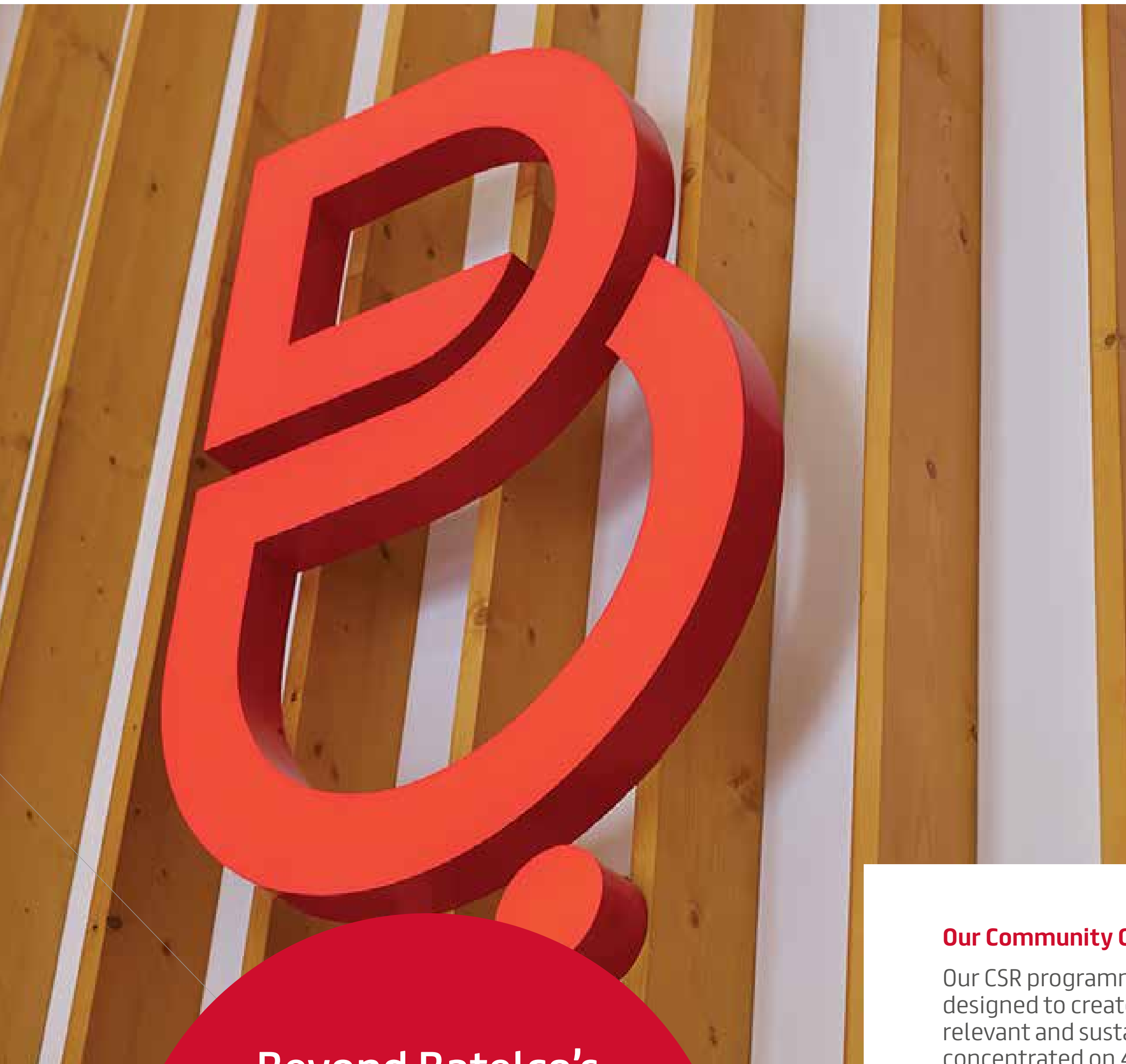


Elevated services for business

Businesses are becoming increasingly more reliant on digitisation, with access to the latest integrated solutions a priority to remain agile and competitive

Driving innovative solutions for businesses

CORPORATE SOCIAL RESPONSIBILITY



Beyond Batelco's focus on business and financial performance, the Company is committed to its role as a responsible corporate citizen.

Our Community Our Home

Our CSR programme, NASNA, is carefully designed to create an impact that is relevant and sustainable. Our efforts are concentrated on 4 key pillars - Education, Health, Sports and Community, which are aligned with the United Nation's Sustainability Development Goals, in the areas of Sustainable Cities & Communities, Quality Education, and Good Health & Well-Being, so that we contribute to a global campaign that is supported by many countries including Bahrain.

We are very proud of our achievements during 2020 and are pleased to highlight some of our initiatives in the following pages.

Batelco started to take serious steps in 2020 to address sustainability while contributing to the community to create a positive impact. A number of initiatives were put in place that contributed to 28% reduction in energy consumption at Batelco Headquarters in Hamala. Furthermore, total water consumption decreased by 3.6% in 2020 while the volume of recycled waste-water has increased almost four-fold.

Batelco always works closely with the community and during 2020 engaged with strategic partners to contribute positively to the lives of people, as we realised the importance of supporting the community during COVID-19.

In the beginning our biggest contribution was BD3.5 million to the Feena Khair campaign, launched by the Royal Humanitarian Foundation to support the national efforts under the leadership of His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and Prime Minister, and in response to the directives of His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty's Humanitarian Works and Youth Affairs representative, National Security Advisor and Royal Humanitarian Foundation (RHF) Board of Trustees Chairman. As a national company, we are committed to give something back to the Kingdom of Bahrain, which gave us a lot over the years.

An agreement was signed with the Ministry of Sports to contribute to the 100 Playgrounds Initiative that aims to establish 100 playgrounds for various sports activities throughout the Kingdom. The worthwhile programme is the initiative of His Highness Shaikh Nasser bin Hamad Al Khalifa, Representative of His Majesty the King for Charity Work and Youth Affairs, Chairman of the Supreme Council for Youth and Sports.

Batelco also worked closely with the Ministry of Works & Social Affairs to support 30 Productive Families by enabling them to contribute to the national campaign to combat the Coronavirus, through producing 60,000 face masks for people in need, creating a shared value in the community.

CORPORATE SOCIAL RESPONSIBILITY
(CONTINUED)

The small business sector was heavily impacted due to the pandemic; therefore, Batelco stood by its customers and provided 500 SME's with financial support towards their internet bills for three months, with an aim to lessen their financial burdens and provide them sufficient time to adapt to the new challenges.

Batelco team members also played their part in supporting the community and in 2020 our volunteers focussed on initiatives related to children. A fundraising Walkathon was held at Batelco campus in Hamala, on Bahrain Sports Day and the team raised an amount of BD4,480 which was gifted to Al Sanabel Orphan Care Society.

The team also provided smartphones and data chips to some children under the Dream Care Society's umbrella, to enable them to enjoy their favourite programmes and be in touch with their families during COVID-19, as they were receiving medical treatment in hospital.

Education is at the heart of our CSR programme and we have enhanced our initiatives in this area in 2020 to meet the unexpected challenges.

Batelco supported its customers in times of high dependency on the internet by providing unlimited internet usage and free web browsing on several educational sites. Fiber speeds were also upgraded by up to five-times customers' regular speeds, to help with remote learning and working from home.

To develop the talents of outstanding Bahraini students, Batelco continued with its support for the Crown Prince International Scholarship Programme (CPISP), which provides top educational, training, and cultural opportunities at leading universities across the world.

In realising the importance of core subjects, across the fields of science, technology, engineering, and mathematics, Batelco in collaboration with BRINC Batelco and Clever Play launched the STEM Leadership Summer Camp. The programme, which was held virtually, aimed at developing young leaders aged 15 to 22, and equipping them with the relevant skills, knowledge, and the required mind-set, to excel in the future business landscape.

Batelco's most recent initiative to support youth development, Elevator to Success, was launched in collaboration with INJAZ Bahrain, Brinc, and Clever Play to prepare

students for the Kingdom's labour market. The programme, which aims at closing the skills gap between graduates and employers, begins with early engagement when the students are in Grade 12 before they begin their university education journey, and focusses on entrepreneurial and IOT skills, providing mentorship, professional certification, and on-job training.

A major project that was completed in 2020 is the construction of a state-of-the-art medical centre for the Ministry of Health that shall serve the community and enable access to free health care, helping to support the aims of the government for the health sector.

Batelco also continued its commitment to national initiatives that aim to enrich the lives of the youth and promote health and culture in the community while celebrating heritage. Equestrian events are particularly important as they are an integral part of the national identity.

Accordingly, Batelco was proud to support major equestrian events during the year, including the second Bahrain International Trophy which attracted the participation of several of the world's horse racing elite to the Rashid Equestrian & Horse Racing Club in Sakhir. The annual event highlights the importance of horse racing and its strong connection with the rich heritage of Bahrain.

Additionally, Batelco supported the Bahrain Royal Equestrian & Endurance Federation National Day Endurance Ride Championship which took place over a 120-Kilometre course at the Bahrain International Endurance Village.

Other sports also feature prominently, including football which is one of the most popular sports in Bahrain. Batelco has always been a keen supporter through sponsoring annual football tournaments such as the Shaikh Nasser bin Hamad Premier League & King's Cup for the 2019/2020 season, as it has a positive impact on the community and the youth in Bahrain.

The sport of cycling has grown enormously in recent years in Bahrain, with cyclists representing Bahrain achieving much success. During 2020 Team Bahrain McLaren become one of the most anticipated teams to enter the UCI World Tour, supported by leading national companies including Batelco.

Building strong customer relationships

Being responsive

Listening to customer feedback and being responsive to their needs are key to delivering an exceptional experience

HUMAN RESOURCES REPORT

Our People

Fostering a new mindset and corporate culture

Batelco has continued with its culture transformation journey during 2020 to build on its strong foundation and help team members thrive in a working environment that prioritizes their well-being and continuous development. This is a key driver for Batelco's ongoing success and growth.

92% of team members served customers remotely

More than 900 Batelco team members worked from home, from March 2020.

700+ COVID-19 tests conducted:

Tests, carried out in collaboration with the Ministry of Health National Team to Combat COVID-19, to ensure the safety of team members on campus.

60+ COVID-19 announcements

More than 60 internal announcements, to increase awareness and promote safety measures around COVID-19, were circulated to all team members.

7 internal virtual events held

Plus additionally an overall 74 initiatives were conducted, to keep spirits high among team members.

Despite the challenges delivered by the pandemic, there was a strong focus on keeping team members fully engaged and involved in the business. Several key initiatives were re-adjusted to accommodate the new working setup, with 90% of staff working from home; as a result, we were able to achieve the following:

1. Engage Our People:

- Batelco achieved 80% on its annual Employee Engagement Survey, a 12% increase from 2019's scores (KFHG Report), a huge achievement for Batelco.

2.Develop Talent from within

- 50 - Average training hours per team member
- 56,427 Total training hours completed by team members

27 years
Average Age of new joiners in 2020

8 years
Average Years of Service to the Company

35 years
Average Age of Employees in Years

Our Culture & iCARE Values

Batelco's iCARE values shape the culture of Batelco and defines how members work together as a team, how they serve customers and also guides behaviour and decision making. The values are being practiced by all team members and endorsed by Management.

To promote Batelco's values, the iCARE Ambassador Awards were introduced to reward team members that truly project the iCARE values in their daily work and are considered as role model to others.

For 2020
12 iCARE
Ambassadors were selected based on set criteria

iCARE Ambassadors with Batelco Chairman

HUMAN RESOURCES REPORT
(CONTINUED)

Chairman's Award

Batelco Chairman, Shaikh Abdulla bin Khalifa Al Khalifa endorsed a unique and prestigious programme, The Chairman's Award, to select 3 individuals from the iCARE Ambassadors to be honored for their demonstration of the iCARE values and principles.

3 winners

were selected for their exceptional performance and remarkable achievements, while practicing the Company's values.

Chairman's Award Winners with Batelco Chairman, CEO and Chief Human Resources Officer

Graduate Trainees Programme

Batelco believes in investing in the Kingdom's youth and takes an active role in developing future leaders. The Company has continued with its long-established graduate trainee programme in 2020 to develop the skills and knowledge of the younger generation.

Batelco's development programme for graduates offers blended learning initiatives to equip them with in-demand employability skills and the technical training needed to enter the telecom industry. The training programmes are delivered through affiliations with international institutes such as INSEAD, Columbia University and Franklin Covey Institute amongst others.

90% Graduate Trainees

established in full time roles at Batelco in 2020

HUMAN RESOURCES REPORT
(CONTINUED)

Investing in Our Future Leaders

In October 2020, Batelco announced the launch of SIMBA, a new programme for Batelco team members that focuses on talent management. The aim of the programme is to provide Batelco with a team of young members with the potential to qualify for the succession plans and fulfil future senior roles.

The selected SIMBA team members will go through a comprehensive development programme that consists of working on strategic projects, mentorship opportunities, Technology Bootcamp, and executive education with an internationally recognized university.

Several rigorous assessments were applied for potential candidates, with 16 team members, from across all units, qualifying for the programme.

Being Employee Centric: Batelco Certified as a Great Workplace

Batelco has been ranked the number 1 certified organization in the telecommunication sector across the Middle East in 2020 as a great workplace, by Great Place to Work® Institute Middle East. Achieving such a prestigious award reflects all the initiatives and commitment by management and team members in transforming the culture at Batelco during 2020 with many accomplishments in spite of the pandemic.

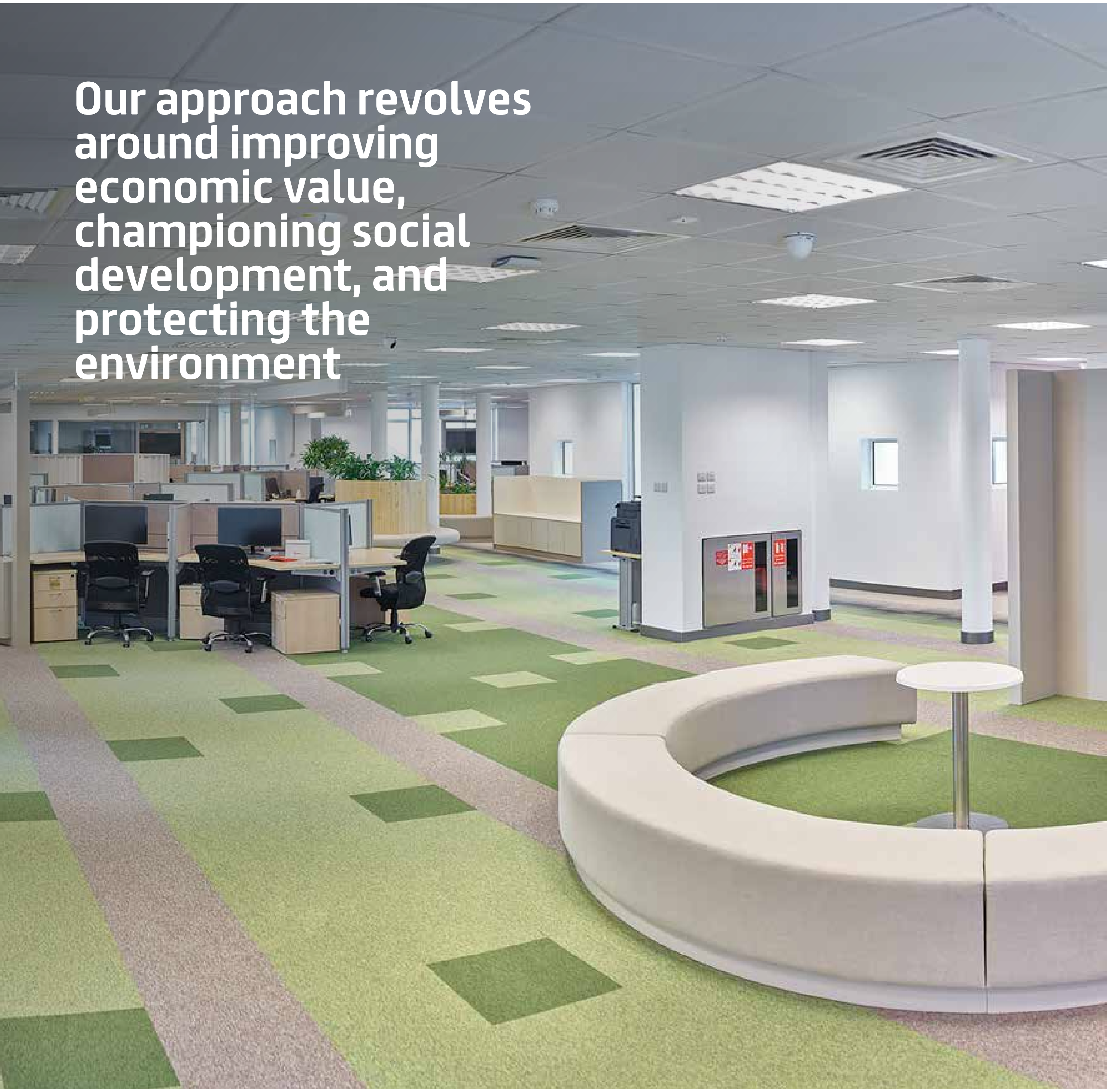
Great Place to Work® is the global authority on high-trust, high-performance workplace cultures. Every company is evaluated by a Trust Index; a questionnaire based on five principles to establish an employee's definition of an ideal working environment. This certification is based on direct feedback from all Batelco team members, provided as part of a survey about the workplace experience. This is a great achievement and a very proud moment for Batelco.

Great Place To Work® Certified
NOV 2020-NOV 2021
BAHRAIN ™

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

SUSTAINABILITY REPORT

SUSTAINABILITY EXCELLENCE



Our approach revolves around improving economic value, championing social development, and protecting the environment

Sustainability at Batelco

Batelco 2020 Highlights

24% of growth rate in female hiring

47% of procurement spending is towards local suppliers

Zero Data Breaches

BD3.5M To support "There is Good in Us" campaign

Average Mobile Broadband Download Speed Up to **2000 Mbps**

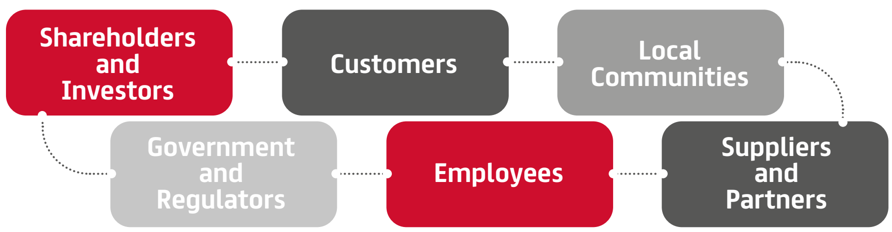
Our Approach to Sustainability

At Batelco, sustainability is embedded within our business model and integrated across various operations. Our approach revolves around improving economic value, championing social development, and protecting the environment.

This Environment, Social and Governance (ESG) insert has been prepared in alignment with the Bahrain Bourse ESG Reporting Guide and references our contributions to the United Nations Sustainable Development Goals (UN SDG).

Our Stakeholders

We value our stakeholders' perspectives as they guide our strategies.
Our stakeholders are:



We use various communication channels to ensure that we receive feedback from all stakeholders. Some examples of the communication channels we use are:

- Annual meetings and evaluation sessions
- Various awareness campaigns including social media campaigns
- Complaints handling team
- Extensive surveys
- Batelco's Annual Report
- Chatbot, Mobile App, eService, bulk SMS
- Intranet and newsletters

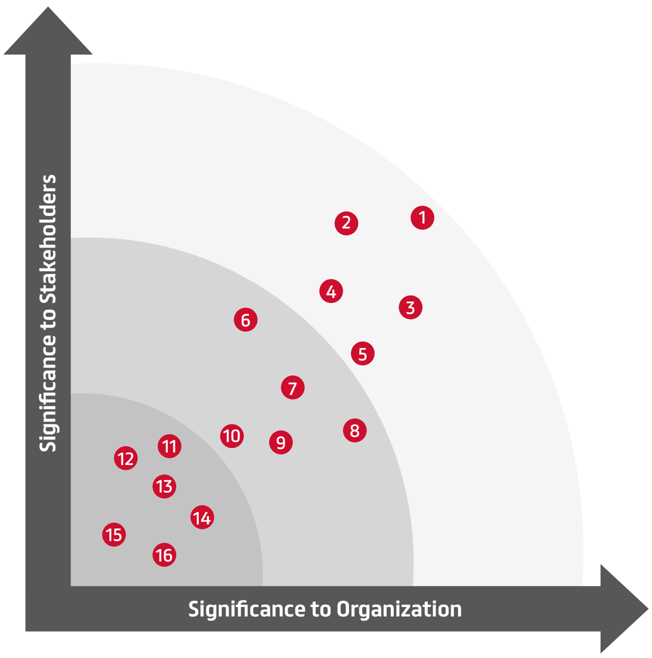
SUSTAINABILITY REPORT
(CONTINUED)

Materiality Assessment

To identify and prioritise the issues that are related to our business and concern our stakeholders, we at Batelco have conducted a materiality assessment, which involved the following steps:

1. Identify a list of potential material issues through desk-based research, including a review of peer companies, industry standards and employee interviews.
2. Prioritize stakeholders (both internal and external) and topics to rate material issues in terms of their perceived importance.
3. Review results internally within Batelco to ensure the list of material issues captures and is inclusive of all stakeholder perspectives.

In 2020, we identified 16 material topics that have been ranked in terms of significance to Batelco and significant to our stakeholders.



Most Important

1. Privacy and personal data protection
2. Customer relationships
3. Corporate governance and business ethics
4. Network quality, reliability and availability
5. Innovation and transformation

More Important

6. Training and development of human capital
7. Diversity and equal opportunity
8. Anti-competition and anti-corruption
9. Corporate social responsibility
10. Economic performance

Important

11. Fostering an inclusive digital society
12. Energy consumption and fighting climate change
13. Health and safety
14. Responsible use of products and services
15. Sustainable supply chain
16. Waste and water management

Sustainability Framework

Batelco's sustainability framework outlines seven focus areas that are critical to create a shared value for both Batelco and our stakeholders. Our framework is formed by incorporating the interests of our key stakeholders, and national and international strategic visions, including the Bahrain Vision 2030, as well as the UN SDGs. The Sustainable Development Goals (SDGs) were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The 17 SDGs are interlinked, and it is recognized that action in one area will affect outcomes in others and that development must balance social, economic and environmental sustainability.

Privacy and personal data protection Customer relationships Responsible use of products and services

Corporate governance and business ethics Anti-competition and anti-corruption

Training and development of human capital Diversity and equal opportunity Health and safety

Corporate social responsibility

Network quality, reliability and availability Innovation and transformation Fostering an inclusive digital society

Energy consumption and fighting climate change Waste and water management

Economic performance Sustainable supply chain

SUSTAINABILITY REPORT
(CONTINUED)

A Transparent, Ethical and Accountable Company

As one of Bahrain's premier publicly traded companies, Batelco is committed to transparency, openness and accountability. We implement a robust governance structure with the highest standards of corporate governance aligned with our core values. We aim to protect the rights of our shareholders and stakeholders. We are guided by a sound risk management framework and work diligently to eliminate all sorts of bribery and corruption, while promoting competitiveness and advocating to advance human rights.

Material Topics Covered :

- Corporate Governance and Business Ethics
- Anti-competition and Anti-corruption

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Sustainable Development Goals

Corporate Governance and Business Ethics

The Board implements rigorous controls for financial audit and reporting, internal control, risk management, and compliance with the Bahraini law. There are effective procedures for the appointment, training, and evaluation of the Board of Directors. New Board members are provided with induction training directly upon joining the Board. The Board is responsible for reviewing the Executive remuneration which is also governed by the Board remuneration committee.

In March 2020, the Board of Directors was re-structured due to the end of the term and the departure of some directors and election of new board members. The Board of Batelco currently comprises of 10 Board members and consists of 10% female members and 90% male members.

The restructuring of the Board has reflected some structural changes in the directorship of the Board Committees: Executive Committee, Remuneration, Nomination Donation and Corporate Governance Committee and the Audit committee, to ensure that each committee includes Board members with relevant backgrounds and experience. Each committee consists of four board members. The Remuneration, Nomination Donation and Corporate governance committee includes a 25% female presence. A part of the Board Committees responsibility is to govern projects and initiatives related to economic, environmental, and social aspects.

The Board of Directors always emphasize on the importance of sustainable decision making for the future of Batelco, its employees and to the society. They conduct an annual performance evaluation; the evaluation assesses the board's performance which mainly tackles the economic and social responsibility towards our stakeholders and to ensure that they are operating within a governed framework.

Human Rights

We believe that human rights are central to good corporate citizenship and to a healthy and trusting company culture. At an international level, Batelco abides to Bahrain's commitment to the American Statue against human trafficking- Trafficking Victims Protection Act (TVPA).

On national level, Batelco adheres to Bahrain National Law for Child Labour Law (2012) and Human Trafficking Law (1999) which address children's rights, protection against child labour, modern slavery, and human trafficking.

Anti-competition and Anti-corruption

Batelco complies to the zero-tolerance policy for bribery and corruption while promoting competitiveness. We adhere to all rules and regulations related to anti-competition and do not engage in any anti-competitive practice when launching products and promotions.

Batelco is guided by a Code of Conduct and a Fraud Management Policy. A whistleblowing policy is in place to ensure that incidents of non-compliance are reported. The policy is communicated to all Batelco employees outlining how incidents can be reported via hotlines and direct employee communication channels such as phone call, email and whatsApp. In addition, employees are provided with training courses on anti-competition, anti-corruption fraud management and business ethics.

On an organizational level, the Internal Audit division is responsible for performing audits of processes and procedures to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes including investigations related to fraud, bribery, and corruption as guided by the Fraud Risk Management Policy. Our risk management processes and procedures are guided by ISO 31000 standards for Enterprise Management System. In 2020, we have performed 31 audits to various divisions such as the Finance, Global business, Legal & Regulatory departments.

A fraud investigation department - under Internal Audit division- inspects fraud and corruption risks. The Risk Management department performs risk assessments which are reported to the Executive Management and Executive Committee twice a year and as and when required. Confirmed fraud cases are logged into the Fraud register and are discussed within the Fraud Investigation Committee.

Sustainable Economic Growth

We aim to continue our financial growth and attract investment by diversifying our sources of income, while maintaining low costs and high operating efficiency. Our supply chain is sustainable, and our procurement processes are performed in a responsible manner with a focus to strengthen the local economy.

Material Topics Covered :

- Economic Performance
- Sustainable Supply Chain

Sustainable Development Goals

Economic Performance

Our financial performance reflects Batelco's commitment to execute on its strategic objectives. We were able to apply effective cost management approaches and continue to adapt to face the challenges of 2020.

We have successfully achieved ISO 22301 certification for Business Continuity Management System to protect our income streams specifically following an incident or disaster, while reducing the risk of further loss. For details on our financial performance, please refer to our Financial Statements in this Annual Report.

Sustainable Supply Chain

In line with our commitment towards the fulfilment of the Bahrain Vision 2030, Batelco aims at strengthening the economy and promoting societal prosperity. To this end, we will commit to ensure that our supply chain is sustainable, and our procurement processes are performed in a responsible manner.

Batelco develops valuable strategic relationships with our suppliers, which we carefully select after applying screening aspects including health and safety screening. Batelco procurement teams intend to revamp all procedures and policies by 2021 and integrate screening and auditing processes for environmental and social factors.

SUSTAINABILITY REPORT
(CONTINUED)

Responsible Customer Relations

Our customers are central to everything we do, and we value their loyalty and care about their satisfaction. We work to meet our customers' needs for seamless communications, while promoting the responsible use of technology. At Batelco, safeguarding customers' personal data is of utmost importance.

Material Topics Covered :

-Privacy and Personal Data Protection

-Customer Relationships

-Responsible Use of Products and Services

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable Development Goals

Privacy and Personal Data Protection

Data privacy is fundamental to maintain the trust of our customers. Batelco has adopted industry best practices related to data security through information protection tools, encryption of data while in transit and at rest, and other robust processes. Batelco has a transparent Data Privacy Policy and is ISO 27001 certified.

Corporate-wide measures were taken to protect the privacy and security of customer information. An external party was hired to hold engagement sessions across Batelco regarding the Personal Data Protection Law in Bahrain, its impact on the organisation, and the actions required. Batelco performs annual cybersecurity stress tests to evaluate the effectiveness of our security controls. The tests are then repeated to verify that all identified gaps have been sufficiently addressed.

Batelco has a standard emergency response plan to address security incidents. The severity of the incident and the expected time to mitigate incidents are clearly defined and have been further aligned with the business continuity plans of the company. Regular internal and external audits are conducted on data privacy to ensure Batelco remains fully compliant with the ISO standards.

Although there have been a number of cyberattack attempts, Batelco had no data breaches, nor actual cyberattacks actually occurred, over the past three years.

Customer Relationships

Batelco is guided by a strong mission and vision to serve and inspire its customers by building, operating, and investing in digital services, forefront technology and connectivity to empower people, enable businesses and enrich society.

This supports our aim to be the leading provider of innovative and in-demand services, helping Batelco retain its position as the leading telecommunications company in the Kingdom of Bahrain.

Building and maintaining strong customer relationships is a priority. In 2020 we needed to review our delivery systems to our customers to ensure their continued satisfaction which resulted in applying free home delivery within 24 hours during the mandated shutdown of all shops due to COVID-19. The Coronavirus had a major impact on our customers and their families as the majority were required to work and study from home. We, therefore, implemented a number of initiatives which considered their communications needs. The initiatives included, free browsing on educational websites, unlimited usage for all fixed internet customers from April until the end of July, home delivery for services and devices, enhanced digital support channels and boosted Fiber internet speed with no additional charges from July until August 2021. Additionally, 500 SME's benefitted from financial support towards their internet bills for 3 months.

During 2020, we focused on understanding our customer needs and their behaviour which was impacted by the pandemic. We conducted a survey to better understand their needs and responded to the findings by enhancing our digital channels and enabling smoother transactions.

Furthermore, we conduct periodic surveys to ensure customer satisfaction. One of which is the Net Promotor Score (NPS) which is carried out by an independent and specialised third party.

Batelco has a competent dedicated complaint team that handles various levels of technical complaints and disputes. Customers can raise complaints through different channels including retail, e-services, email, call centre, and chat. Complaints are assessed and analysed by the team to identify and resolve the root cause, compensate genuine customer cases, enhance the overall customer experience, and restore quality of service. We assess and manage faults through our customer experience management tool that helps with first time resolutions and supports the technical team to identify, resolve and manage the faults in a timely manner.

To complement our efforts to resolve issues quickly, we introduced real time customer surveys through all our channels (Call, Chat and Social Media) to measure the overall customer experience. Our customer satisfaction team is set in place to contact customers with low ratings to better understand their concerns and immediately resolve pending issues. Customer feedback and recommendations are also injected back into the business for gap analysis and to improve the quality of our products and services.

Responsible Use of Products and Services

Batelco promotes the responsible use of technology. We provide our employees with products and services awareness sessions, training programmes, and refresher courses. Products and services updates are continuously communicated to all employees including retail staff through various internal communication channels. These measures are in place to ensure that customers are always being informed not only of Batelco's range of products and services, but also of the responsible use of these products and services.

To ensure that our products and services meet our customer and regulatory requirements:

- Our principles are guided by ISO 9001 for Quality Management.
- Our advertisements adhere to the Telecommunications Regulatory Authority (TRA) consumer protection law, which mandates that all communication is fair, accurate and ethical.
- Our child protection WiFi product enables customers to configure specific parental control rules.

Innovation and Digital Reach

We are committed to providing fast, secure, reliable connectivity to enable digital lives. At Batelco, we believe that innovation and technology can be used as means to create new opportunities that meet the different needs of the society. We remain committed to forefront technology, building reliable networks and delivering high quality services to our customers.

Material Topics Covered :

-Network Quality, Reliability and Availability

-Innovation and Transformation

-Fostering an Inclusive Digital Society

Sustainable Development Goals

Network Quality, Reliability and Availability

Batelco Network is recognized as leading the Bahrain telecommunications sector in terms of speed and coverage for Fixed and Mobile broadband services by multiple 3rd party benchmark companies. As part of Batelco's dedication towards Bahrain and the community it serves, it has exceeded 99.999% up time target of infrastructure availability by utilizing the latest hardware, software, and technology from leading Tier 1 technology providers.

In addition, aligned with the modern era cloud technologies, Batelco has adopted cloud computing in its various investments making services and applications available 24/7 and accessible from anywhere and any device.

Batelco has an advanced Network Management Centre that continuously monitors all network elements, including disruptions. The Network Operations Centre (NOC) and Service Operations Centre (SOC) are responsible for the end-to-end incident management along with any interdepartmental coordination required during emergencies, in alignment with the telecom industry best practices.

Batelco's self-healing networks make use of automation and artificial intelligence to detect and remediate outages, failures, and breaches to ensure best network performance and exceptional customer experience.

Realising its customers' evolving needs for reliable high-speed connectivity, Batelco increased, free of charge, the fixed broadband speed up to 5 times during the COVID-19 pandemic. The broadband speed is backed up with a solid and flexible infrastructure; advanced big data management tools; and Home Wi-Fi management platforms to maintain quality.

Batelco ensures all wireless communication services utilising radio equipment operate within non-ionising radiation limits set out by the International Commission on Non-Ionising Radiation Protection. This is also detailed in Batelco's frequency licence, which states our obligations regarding Electromagnetic Field (EMF) exposure.

The significant increase in 5G coverage in 2020 was due to implementing strategic expansions to position Batelco and Bahrain among the few operators with nationwide 5G coverage and speeds. Our networks' mobile speed growth rate was 150% compared to 2019, reaching over 2,000 Megabits per second (Mbps) in 2020.

In line with the above Batelco has minimized its footprint in 2G technology by 39% compared to other technologies, contributing to spectrum efficiency and major power consumption reduction.

Innovation and Transformation

At Batelco, we believe that innovation and technology can be used to create new opportunities that meet the different needs of the society. We seek to become a key digital enabler in the region by providing services and products in four key clusters: consumer, business, financial services, and e-government. Over the years, Batelco has always worked to position itself amongst the pioneering and leading operators worldwide.

SUSTAINABILITY REPORT
(CONTINUED)

2020 Batelco's innovation advancements

- The first in Bahrain to launch 5G services with nationwide coverage.
- The first in Bahrain to launch cellular Apple Watch on virtual cloud environment.
- Delivered highly personalised, value-driven customer experience through application of artificial intelligence and big data.
- Evolved our retail self-service experience providing customers with fully digital process for specific prepaid services.
- Utilised remote site acceptance to increase efficiency and security of online storage files.
- Innovative new virtualisation and cloud solutions for Enterprise customers that enabling seamless account management.

Fostering an Inclusive Digital Society

We remain committed to supporting and enabling the digital transformation and advocating digital accessibility for all in contributing towards making digital technology available for all in line with the economic vision 2030 for Bahrain. In 2020, we announced 95% nationwide 5G coverage of areas across the kingdom making Batelco the first operator to have national 5G coverage in Bahrain, which positioned Batelco among the leading operators in the GCC. We also proactively supported customers in overcoming the challenges of the COVID-19 pandemic by boosting the speed of all fiber fixed broadband customers up to 5 times which enabled customers to work from home and provided students with access to online learning.

2020 Batelco's digitalization milestones

- Streamlined customer journey experience on the mobile App which resulted in 250% increase in monthly active users.
- Digitized the customer refill process in the Batelco mobile App and eServices platform resulting in a 400% increase in refills through Batelco owned channels.
- Unified the Retail self-service user interface, simplifying the customer experience and providing new digital payment features.
- Kick-off of the next generation cloud based Digital Enterprise resource planning (ERP) implementation.
- Launched a new Data Center which has achieved Tier III certification for design and build from the Uptime Institute

Our People

Batelco offers a unique and an exceptional employee experience. We believe in continuously growing our human capital by developing our people and equipping them with the latest cutting-edge training resources and tools to enable them to be the next digital age leader. We aim to attract, and retain talented individuals, while increasing the rate of national employees in the workforce. We provide our employees with a safe and inclusive work environment and combat all forms of discrimination.

Material Topics Covered :

-Training and Development of Human Capital
-Diversity and Equal Opportunity
-Health and Safety

Sustainable Development Goals

Training and Development of Human Capital

Our people are the true human intellectual capital of the company. We believe in continuously developing and equipping them with the latest cutting-edge training to enable them to be the next digital age leaders.

Engagement surveys are completed by our employees, providing us with an in-depth insight on how employees feel about Batelco. The results of the surveys help us better understand which units need more attention. Employee engagement stood at 80% in 2020 compared to 68% in 2019.

Due to the pandemic, we have shifted our initiatives towards digital platforms and hosted many successful online events, such as "B-Majlis". It is an online forum to bring employees from different units together to talk openly about important and relevant topics. Awards such as the "Chairman's Award" and the "iCARE Ambassador Award" were introduced to keep our staff motivated.

Batelco Bahrain total workforce at the end of year 2020 numbered 1,141 employees. The percentage of female to male employees was at 33% to 67% respectively.

Workforce Overview	2018	2019	**2020**
Total number of employees (#)	1,210	1,105	**1,141**
By gender profile			
Female employees (#)	397	368	**379**
Male employees (#)	813	737	**762**

*Total number of employees includes BNET employees

The Human Resource policy dictates our approach to training and development. New employees receive induction training upon joining the Batelco family. We provide our employees with internal and external trainings which are often conducted in-house. E-learning courses are also offered via the internal employee portal. Batelco's training centre is equipped with the latest technology and made available to our staff. Investing in the training of our staff ensures smooth succession planning and the availability of a pool of well-trained and knowledgeable staff that can assume critical roles in the company.

Bahraini employees are offered a dedicated leadership development programme to improve their skills and prepare future leaders within the organisation. Each year, our employees receive annual performance and career development reviews.

Training and Performance Reviews	2018	2019	**2020**
Total hours of training for employees (#)	28,086	47,402	**56,427**
Average hours of training per female employee (#)	30	48	**51**
Average hours of training per male employee (#)	20	37	**49**
Average hours of training per employee (#)[1]	23	41	**50**

[1] Batelco considers total headcount at beginning of the year to compare planned vs. actual training hours

SUSTAINABILITY REPORT
(CONTINUED)

Diversity and Equal Opportunity

Batelco promotes an inclusive work environment, where equal opportunity is realised, and open communication is encouraged.

Batelco has zero tolerance for harassment, bullying, offensive conduct, and victimisation of any kind. Discrimination and harassment based on race, colour, religion, age, gender, nationality, gender identity and expression, national origin, disability, marital status, and citizenship status are strictly prohibited.

A whistleblowing policy is in place to encourage the reporting of misconduct. All complaints are treated on a confidential basis and are promptly investigated. We also conduct Human Resource policy awareness sessions that cover non-discrimination, diversity, and inclusion. There were no known incidents of discrimination of harassment in the workplace during 2020. We have targeted recruitment schemes that focus on hiring female employees across various areas within our business. We encourage female participation in the workforce and regularly aim to increase equality in recruitment.

Reducing the risk of exposure to COVID-19 was our top priority. The offices were sanitized on a weekly basis, enhanced cleaning and disinfecting protocols were made.

Female Employment	2018	2019	2020
Female employees (#)	397	368	**379**
Female employment rate (%)	33	33	**33**

Health and Safety

To maintain a resilient culture, we continue to deliver on our commitment to providing our people with a healthy work environment. We have a Health, Safety, and Environment (HSE) policy that is circulated and communicated to all management, operatives, suppliers, and contractors.

Reducing the risk of exposure to COVID-19 was our top priority. The offices were sanitized on a weekly basis, enhanced cleaning and disinfecting protocols were made. We also conducted regular COVID-19 tests at the Batelco headquarters for the majority of staff working at the office.

In addition to constantly publishing COVID-19 prevention awareness messages via our internal channels, we held several health awareness campaigns covering topics such as breast cancer, mental health, and general health in collaboration with well-reputed hospitals and doctors. In cooperation with the Ministry of Health, a dedicated COVID-19 spread awareness session was arranged during the peak of the pandemic.

Training on first aid is provided to Batelco's "Safety Marshals", and proactive audits for field operations and service delivery functions are carried out. We are working closely with external consultants to assess our preparedness considering all safety aspects.

Over the past three years, we have proudly maintained zero employee and contractor fatalities. Although we have conducted emergency response drills in previous years, in 2020 we didn't conduct any; as due to COVID-19, the Bahraini Civil Defence suspended fire and safety drills.

Health and Safety	2018	2019	2020
Total hours of HSE training provided to employees (#)	77	164	**396**

Environmental Protection

We are committed to managing our environmental footprint. We strive to combat climate change, lower energy consumption from our data centres and across our operations; reduce water consumption and waste generation; and recycling when possible. We seek opportunities to deploy renewable energy, such as solar or wind energy.

Material Topics Covered :

-Energy Consumption and Fighting Climate Change

-Waste and Water Management

Sustainable Development Goals

Energy Consumption and Fighting Climate Change

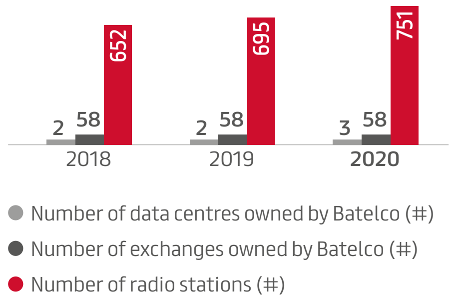
At Batelco, we strive to combat climate change by lowering energy consumption across our operations; specifically, our data centres. Also, we constantly search for opportunities to deploy renewable energy, including planned investments in a Solar Energy Farm to power part of our facilities and infrastructure.

We provide our employees with energy management and climate change awareness sessions. Similarly, we conduct continuous audits of our energy management and monitoring system.

Batelco is targeting to reduce annual energy consumption and introduce clean energy sources as part of the company's main initiatives. In 2020, we have made various efforts to reduce energy consumption -as an example but not limited to- Hamala Headquarter where we saved 28% of energy consumption, driven by several initiatives such as: Introducing power-saving chillers, implementing Power Factor Correction (PFC) equipment and swapping to eco-friendly air conditioners. Nonetheless, there were also other saving actions that all contributed towards the overall achievement.

Moreover, we have expanded the infrastructure of the network across Bahrain. The enhancement included increasing the number of data centres and radio stations owned by Batelco by 8%. However, the total energy consumption only increased by 2% due to our energy saving efforts introduced to date.

Data Centres, Exchanges, and Radio Stations



Waste and Water Management

We are committed to managing our environmental footprint and reducing water consumption, waste generation and recycling whenever possible.

Employees attend regular environmental awareness sessions that cover water consumption and waste management. Moreover, Batelco conducts audits of its water management and monitoring system. The sewage treatment plant project was launched in 2020, and the treated water is now used for irrigation purposes.

Our total water consumption has decreased by 3.6% compared to our consumption in 2019. In addition to that, our recycled wastewater has vastly increased with a rate of 382% compared to 2019.

Water Consumption	2018	2019	**2020**
Total water consumption (m^3)	82,967	74,466	**71,811**
Recycled wastewater (m^3)	4,148	3,723	**17,952**

SUSTAINABILITY REPORT
(CONTINUED)

Community Development

We acknowledge that we play a huge role in the community, which we are dedicated to serve, with our socially responsible initiatives designed to have a positive impact for all inhabitants of Bahrain. We continue to enhance this area with the aim of establishing and strengthening partnerships with other entities in order to play a more beneficial role in the community.

Material Topics Covered :
-Corporate Social Responsibility

Sustainable Development Goals

Corporate Social Responsibility

At Batelco, we understand our role and responsibility towards our community. We are aware that our products and services have an impact on many aspects of people's lives by enabling people to stay connected through multiple communication and social media platforms.

We take pride in supporting our community and believe in impactful and sustainable initiatives that will address important issues to help the community and have long term benefits that positively impacts the economy, society and the environment.

We have clear Corporate Social Responsibility (CSR) policy and strategy that is implemented through a defined framework and governance. The CSR program in Batelco evolves around four pillars: Education, Youth & Sport, Health, and Community that are aligned with the United Nations Sustainable Development Goals with focus in Good health and well-being, Quality education and Sustainable cities and communities.

In 2020, a total of BD 1.291 million was allocated as donation budget to support the identified pillars. The company spend as average of 26% in Education, 32% in Youth & Sport, 21% in Health and 21% in Community.

Key initiates under education included the support of the Crown Prince's International Scholarship Program that aims at developing Bahraini talent for the future, by granting them international scholarships in the best universities around the world such as Yale, Harvard and MIT.

Injaz Bahrain is also a strategic partner and we have worked closely with them to deliver key programs that include the smart home Wi-Fi solution in collaboration with Huawei where we distributed Wi-Fi devices for students to enable distance learning during the COVID-19 pandemic. In addition, we have worked closely with Brinc Batelco on conducting two student camps: the virtual innovation camp and the Batelco STEM "Science, Technology, Engineering, Mathematics" leadership camp both aiming to benefit over 50 students within the entrepreneurial and innovative skills.

One of the biggest initiatives under heath pilar is the completion of the construction of a medical center for the Ministry of Health. The facility was built by Batelco to the highest standards and quality to contribute to the health care in Bahrain.

We also continued its support to the national initiatives, especially those that focus on the youth and sport while promoting Bahrain internationally with key programs such as the Shaikh Nasser Premier League, Equestrian events, Ministry of Youth Playgrounds and Bahrain world tour cycling.

Due to the unexpected pandemic in 2020, Batelco allocated an additional BD3.5 million to support "There is Good in Us" campaign which was a nation-wide campaign to fight COVID-19 and support the community to mitigate the impact of the pandemic. As a national company, we are committed to supporting the tremendous efforts of the National Campaign and give back to the Kingdom of Bahrain.

CORPORATE GOVERNANCE

Contents

CORPORATE GOVERNANCE

1. Descriptions of the actions taken to complete the Corporate Governance Code during the year 2020 in BATELCO and how they were applied

As a Bahrain-based Company, BATELCO is subject to the Corporate Governance standards of Bahrain Commercial Companies Law; and in line with the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT). BATELCO aspires to the highest standards of ethical conduct based on sound Corporate Governance; in accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, BATELCO has put in place a comprehensive Corporate Governance framework to maximize operational efficiency and protect shareholders' rights. BATELCO regards the guiding principles of its Corporate Governance framework to be fairness, transparency, accountability and responsibility, and is committed to complying with the ten principles of the Corporate Governance Code. The Board of Directors undertook measures and ensured that for the year ended 31 December 2020, BATELCO was compliant with the provisions of the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT) **(please refer to page number 83 of the report)**. Additionally, some internal enhancements were made to the Board Code of conduct and ethics, whistleblowing policy and the directors declaration of related parties and conflict of interest. Batelco's continuous efforts are exerted in complying with the requirements of the Code and enhance the current practices within the Company.

Key Persons Policy

As part of their policies to maintain a fair, orderly and transparent securities market, the Bahrain Bourse and the Central Bank of Bahrain (CBB) enforced the stipulation of "Key Persons' Dealing Policy" on listed companies. The policy regulates the trading of securities by members of the Board of Directors, Executive Management and other defined members of staff in the Company that are defined as Key Persons. The Directors have access to sensitive information that if exposed to the market, may directly or indirectly affect the value or price of the securities. Batelco ensures the adherence to the Key Persons Policy and reports on a regular basis to the CBB and Bahrain Bourse as required and on any irregular activities that may occur from a key person within the Company. A copy of the policy can be reviewed on the Company's website.

Elections of the Board of Directors, its Term, Induction and Orientation

According to Article (27) of the Company's Articles of Association the Term of Directors membership on the Board shall not exceed 3 years. The recent term begun in March 2020 and the start of the new term will be in March 2023.

During this year's elections, the board placed formal, rigorous and transparent procedures for the appointment of new directors to the Board. The Nomination Committee handles the responsibility of overseeing the process of nomination to the Board, and all candidates are identified against a criterion in line with Article (28) of the Company's Articles of Association.

At the Annual General Assembly Meeting, the new board composition was announced and upon the appointment of the new directors, the Company handled the induction and orientation of the Directors to assist in familiarizing them with the organization and their duties and responsibilities. In addition to that, they were briefed about the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed, not to mention any directorship in the Board sub committees or Opco's.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which the director needs to be subject to re-election. The termination of directorship can also take effect if any Director is in breach of the conditions outlined in Article (30) of the Company's Articles of Association.

Performance Evaluation

In line with the governing laws of the Kingdom, the Board members undergo an annual performance evaluation of the Board, Board Committees', and their individual performance. The evaluation is designed to determine whether the Board, its Committees, and its directors are capable of providing high level of judgment.

For the year 2020, All directors have effectively completed their performance evaluations and the next performance evaluation of the Board is scheduled for 2021.

Code of Conduct and Whistle Blowing Policy

During the year 2020, The Board of Directors have approved a new Code of Conduct and Ethics policy for the Board of Directors, that is in line with the regulations of the MOICT Corporate Governance Code; and to ensure that the Board of Directors are aware of their role towards conducting ethical practices.

Additionally, in 2020 the Board have reviewed a revised whistle blowing policy and have communicated it to the employees of the Company to guide them and promote ethical behavior, honesty and integrity in their normal daily activities, and to safeguard and uphold the reputation of the Company at all times. The policies can be reviewed on the Company's website.

The Board has resolved that it shall investigate any non-compliance or deviations from its Corporate Governance Guidelines which have been established and is available on the Company's website; or can be obtained from the Corporate Governance Officer.

CORPORATE GOVERNANCE
(CONTINUED)

2. Transactions of Directors and Executive Management trading during the year 2020

The following table provides details of shares owned by the Board of Directors and Executive Management during the year 2020. For further details, kindly refer to **note 37** in the Financial Statements.

#	Name	Position	Shares held at 31/12/2020	Total Sale Transaction	Total Purchase Transaction
1	Raed Abdulla Fakhri	Director	3,710	Nil	Nil
2	Dr. Ghassan Murad	GM Mergers and Acquisitions – International Investments	103,950	Nil	Nil
3	Batelco Employee Benefit Trust	Company Employee Share incentive scheme	471,488	Nil	471,488
4	Ahmed Ateyatalla AlHujairy*	Director	31,470	Nil	Nil
5	Arif Haider Rahimi*	Director	31,170	Nil	Nil
6	Khulood Rashid Al Qattan*	Director	30,010	Nil	Nil
7	Maha Khalid Yusuf Abdulrahman*	GM Consumer Division	115,500	Nil	Nil

*previous members of the Board of Directors and Executive Management.

3. Composition of the Board

The Board of the Company comprises of 10 Directors, 7 whom are Non- Executive Independent Directors, below are their details:

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
1	**Shaikh Abdulla bin Khalifa Al Khalifa** Chairman	Non – Executive Independent	Bachelor of Science in Business Administration from the George Washington University, USA. Chief Executive Officer at Osool Asset Management Started his career at the Arab Banking Corporation B.S.C. Chief Executive Officer at Osool Asset Management Served as Head of Wealth Management at Standard Chartered Bank, Bahrain. Over 22 years of experience	Appointed by Mumtalakat since June 2018 until the end of term. Was reappointed in AGM 2020 for a period of 3 years.	• Held the role of Chairman of BNET Company (Bahrain) • Chairman of BTC Sure Group Limited (UK) • Chairman of SICO Investment Bank • Deputy Chairman of Bank of Bahrain and Kuwait • Board Member of Amlak and Bahrain Marina. • Member of Hope Fund.	Chief Executive Officer at Osool Asset Management

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
2	**Mr. Raed Abdulla Fakhri** Deputy Chairman	Non – Executive Independent	Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA. Mumtalakat Vice President -Investments Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. Mumtalakat Vice President -Investments Used to hold the following roles: Head of Investment Department in Capivest Investment Bank. Batelco Senior Manager in New Business Development Unit. Control Systems Engineer and Project Engineer in Gulf Petrochemical Industries Company (GPIC). Over 26 years of experience mainly in business development and investments.	Appointed by Mumtalakat since 2014. Was reappointed in AGM 2020 for a period of 3 years.	• Held the role of Board Member in BNET Company (Bahrain) • Held the role of Board Member in Etihad Atheeb (Saudi Arabia) • Board Member in Gulf Air Group • Board Member in Investrade • Board Member in BDI Partners • Board Member in ELM Education Fund • Board Member in American University Bahrain • Board Member in LE University Holding	Mumtalakat Vice President -Investments
3	**Mr. Abdulla Abdulhameed Alhammadi** Director	Non – Executive	B.A. with honors from Georgetown University in finance and international business Regional Business Lead for Snapchat MENA Used to hold the following roles: - Senior Engagement Manager with McKinsey & Company - Member of the founding team in Careem - Lead of small business marketing in Google -Saudi Arabia Over 10 years of experience in management consultancy, tech and startups	Appointed by Mumtalakat at the AGM in 2020 for a period of 3 years.	Nil	Nil

CORPORATE GOVERNANCE
(CONTINUED)

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
4	**Mr. Abdulla Abdulrazak Bukhowa** Director	Non – Executive	Bachelor of Business from the University of Texas, USA. Chief Executive Officer of Standard Chartered Bank, Bahrain Used to hold the following roles: - Chief Executive Officer of Standard Chartered Bank Qatar from January 2017 to March 2019 - Lead of Financial Markets and Corporate and Institutional Banking segments- Standard Chartered Bahrain - Head of Global Markets and co-Head of Wholesale Bank in September 2010- Standard Chartered Bahrain Over 20 years of experience.	Appointed by Social Insurance Organization at the AGM in 2020 for a period of 3 years.	• Board member in the Bahrain Association of Banks	Nil
5	**Mr. Ahmed Abdulwahed Abdulrahman** Director	Non – Executive Independent	Bachelor's Degree (Hons) in Business Systems & Information Technology from University of Northumbria, Newcastle Chief Executive Officer of Esterad Investment Company B.S.C Used to hold the following roles: - Founder & Managing Partner of Clan Partners Advisory - CEO and Managing Director of Beacon Capital Management - Head of Private Equity for GCC, Levant and Turkey at Bank Al Khair - Relationship Manager at Ahli United Bank – Offshore Unit - Relationship Manager at Kuwait Finance House – Bahrain - Started his career at BDO Jawad Habib as an analyst in the Financial Advisory Services unit Over 18 years of experience in Investment Banking, Mergers & Acquisitions and Private Equity	Elected by the shareholders in the AGM 2020 for a period of 3 years.	• Deputy Chairman of the Board and Chairman of the Audit Committee in Dhiraagu Telecommunications Company (Maldives). • Board member of Native Land investment. • Director in Beacon Capital Management • Director in Clan Partners Advisory	Nil

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
6	**Shaikh Ali Bin Khalifa Al Khalifa** Director	Non – Executive Independent	Bachelor of Science in Mechanical Engineering from The George Washington University, D.C. Master Degree in Business Administration from DePaul Graduate program at BIBF, Bahrain. Joined the Bahrain Defense Force in June 1996 and currently holds the rank of Lieutenant Colonel. He has held various positions within the organization President of Bahrain Football Association. Member of Asian Football Association Executive Committee. Member of the Bahrain Olympic Committee. President of Bahrain Cycling Association. Member of FIFA Competitions Committee. Over 24 years of experience.	Appointed by Amber Holdings since June 2018 until the end of term. Was reappointed in AGM 2020 for a period of 3 years.	• Chairman of BNET Company (Bahrain) • Board Member in BTC Sure Group Limited (UK)	Joined the Bahrain Defense Force in June 1996 and currently holds the rank of Lieutenant Colonel. He has held various positions within the organization
7	**Major General Ali Saqer Al Noaimi** Director	Non – Executive Independent	Graduated from the Military College, Kuwait, in November 1978. Military officer with the rank of Major General in Bahrain Defense Force appointed as Director of Logistics & Supplies in BDF. Held the position of a commandant of Isa Royal Military College Over 42 years of experience.	Appointed by Amber Holdings on 31st March 2020 until the end of term	• Board Member at BNET (Bahrain). • Deputy Chairman of the Military consumer and economic associations. • President of Bahrain Golf Association	Director of Logistics & Supplies in BDF. Deputy Chairman of the Military consumer and economic associations.

CORPORATE GOVERNANCE
(CONTINUED)

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
8	**Ms. Fatema Ghazi AlArayedh** Director	Non – Executive	B.A. with honors in Political Science from Yale University J.D. from Columbia Law School where she was a Harlan Fiske Stone Scholar. Admitted to the Bar in New York Attorney at the law firm of Debevoise & Plimpton LLP in London Used to practice law at the offices of Cleary Gottlieb Steen & Hamilton LLP in New York. Worked on economic development projects at the Clinton Foundation in New York and at the Economic Development Board in Bahrain	Appointed by Mumtalakat at the AGM in 2020 for a period of 3 years.	Nil	Nil
9	**Mr. Jean Christophe Durand** Director	Non – Executive Independent	Graduated from ESSEC (Ecole Superieure des Sciences Economiques et Commerciales), French Business School in Paris. Chief Executive Officer of National Bank of Bahrain. Previously held the role of Global Head of BNP Paribas MEA (Middle East & Africa) region for Corporate and Institutional Banking and Asset Management for over 15 years. Several years of experience in Bahrain working with Banque Indosuez and BNP Paribas. Over 40 years of experience in the banking and finance sector.	Elected by the shareholders in 2017 for a period of 3 years. Was re-elected in the AGM 2020 for a period of 3 years.	• Deputy Chairman in Umniah Mobile and Telephone Company (Jordan) • Deputy Chairman of Bahrain Islamic Bank (BISB) • Board Member in Gulf Air • Board Member in BIBF • Chairman of the French Chamber of Commerce and Industries in Bahrain (FCCIB)	Nil

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
10	**Mr. Khalid Hussain Taqi** Director	Non – Executive Independent	Bachelor of Commerce degree in Finance- Concordia University, Montreal – Canada. Master's degree in Finance from DePaul University's Kellstadt Graduate School of Business. Head of Strategic Investments at Osool Asset Management Used to hold a role as part of the Transaction Advisory Services Team at Ernst & Young – Bahrain. 14 years of experience.	Appointed by Social Insurance Organization since January 2019 until the end of term. Was reappointed in AGM 2020 for a period of 3 years	• Deputy Chairman in Dhiraagu Telecommunication Company (Maldives) • Deputy Chairman and Chairman of the Audit Committee in BNET (Bahrain) • Board member in Gulf Hotels Group	Head of Strategic Investments at Osool Asset Management

Previous Members who served in 2020:

The below directors have served as Board members in Batelco until March 2020 where their term ended, their directorship positions in the Company's subsidiary boards have also been terminated upon the end of their term.

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
1	**R. Adm Yousif Ahmed Malalla AlSabt** Deputy Chairmanr	Non – Executive Independent	Graduated from the Naval Academy in Egypt in 1978. Graduated from the Naval war college for Staff course at New Port, RI. USA in 1985. Appointed as Chief of the Royal Bahraini Naval Force until 2004 when he was appointed as Director of Planning, Organization and IT at the General Head Quarters. Over 42 years of experience.	Appointed by Amber Holdings since May 2017 until the end of term.	• Board Member in BNET Company (Bahrain) • Board Member and Audit Committee member in Umniah Mobile and Telephone Company (Jordan)	Assistant Chief of Staff for Logistics & Supplies at the Bahrain Defense Force Chairman of the Military Consumer & Economic Association

CORPORATE GOVERNANCE
(CONTINUED)

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
2	**Arif Haider Rahimi** Director	Non – Executive Independent	A Certified Public Accountant, Board of Accountancy, Oregan, USA. Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division . Over 31 years of experience in financial services.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	• Chairman of Umniah Mobile and Telephone Company (Jordan) • Chairman of the Bahrain International Circuit (BIC) • Member in Bahrain Judicial Committee for Stalled Real Estate Projects.	Nil
3	**Ahmed Ateyatalla Al Hujairy** Director	Non – Executive Independent	B.Sc. in Electrical Engineering – Telecommunications Major from King Fahad University of Petroleum and Minerals. Executive MBA from DePaul University, Chicago, USA. Founder and CEO of Gulf Future Business S.P.C. and group of associated companies. Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society . Member of the Bahrain Society for Training and Development. Vice Chairman, Technology Committee. Bahrain Chamber of Commerce and Industry. Over 37 years of experience in information technology, communications, business, and management.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	Nil	Nil

3. Composition of the Board (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
4	**Mrs. Khulood Rashid Al Qattan** Director	Non – Executive Independent	Bachelor Degree in Accounting from Ayn Shams University, Cairo. General Manager of Prime Advisory WLL. Used to hold the role of Head of Investment Department Bank of Bahrain & Kuwait Has had experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital (Dubai). Over 28 years of experience in banking and investments.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	• Board Member and Chairperson of Audit Committee in Umniah Mobile and Telephone Company (Jordan) • Board Member and Chairperson of the Audit Committee in Dhiraagu Telecommunication Company (Maldives) • Board Member in SICO Financial Services Company (SFS) • Board Member in Bahrain Business Woman Society • Member of the Advisory Board for the Master of Accounting and Finance at Applied Science University.	Nil
5	**Mr. Oliver McFall** Director	Non – Executive Independent	Master of Business Administration , MBA, IMD, Lausanne, Switzerland Master of Science, Chemical Engineering, Technical University of Denmark Used to hold the following roles: - Vice President of Roland Berger Strategy Consultants Middle East office. - Senior Partner and Member of the Executive Team with AT Kearney. - Senior Project Manager with McKinsey & Company. Over 34 years of experience in International Management Consulting.	Appointed by Mumtalakat since March 2014. And was re-appointed in the AGM in March 2017 for a period of 3 Years.	• Board Member and Chairman of the Audit Committee of BTC Sure Group Limited (UK) • Board Member in Dhiraagu Telecommunication Company (Maldives) • Advisor to a number of SME's in Denmark	Nil

CORPORATE GOVERNANCE
(CONTINUED)

3. Composition of the Board (Continued)

Total Remuneration paid to the directors for the year 2019 and 2020

Batelco ensures that the Board of Directors are remunerated fairly in consideration of their responsibility towards fulfilling the duties of the Board, it's Committees in addition to their representation on the Company's subsidiary Boards.

For the year 2019, Directors total remuneration for the is BD557,000 including sitting fees.

For the year 2020, Directors total remuneration for the is BD542,000 including sitting fees. This is also including the proposed Annual Remuneration for the Board members of BD 418,000 for the year 2020 which will be presented at the Annual General Assembly Meeting for their approval. Kindly refer to **note 37** in the Financial Statements.

Sitting fees paid to the directors for attendance of the Board's committees for the year 2020

Name of Committee	Number of Meetings	Total amount paid (BD)
Audit Committee	8	16,500
Remuneration, Nomination, Donation and Corporate Governance Committee	8	18,000
Executive Committee	12	28,500

Board Meetings

According to the Governance laws and applicable laws, the Board are required to meet during each financial year for at least 4 times. During the year 2020, the Board has met on **11** occasions on the following dates:

Members	16 Jan	20 Feb	05 Mar	24 Mar	31 Mar	30 Apr	25 Jun	27 Jul	28 Oct	30 Nov	23 Dec
Sh. Abdulla Al Khalifa (Chairman)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Raed Fakhri (Deputy Chairman)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Jean Christophe Durand (Member)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Sh. Ali Al Khalifa (Member)	⌒	📞	📞	⌒	📞	📞	📞	📞	📞	📞	📞
Mr. Khalid Taqi (Member)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Abdulla Bukhowa (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞
Ms. Fatema AlArayedh (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞
Mr. Abdulla Alhammadi (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞
Mr. Ahmed Abdulrahman (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞
Maj. Gen. Ali AlNoaimi (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞
R. Adm Yousif Al Sabt (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	
Mr. Arif Rahimi (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	
Mr. Ahmed AlHujairy (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	
Mrs. Khulood AlQattan (Previous Member)	📞	📞	📞	⌒	-	-	-	-	-	-	
Mr. Oliver McFall (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	

25 March 2020 – appointment of new board members.

3. Composition of the Board (Continued)

Board's Duties and Responsibilities:

The Board of Directors are responsible for monitoring and overseeing the overall performance of the Company; and to ensure best practices are adopted to guarantee the best interest of the shareholders and stakeholders. Also, to ensure the effective execution of their responsibilities; the Board has the trust of the established sub committees and executive management to offset some of their duties as below:

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

Related party transactions during the year 2020

It is the policy and practice of the Company that all related party transactions are done on an arm's length basis in the ordinary course of business and are approved by the Executive Management of the Company, please refer the **note 37** (Transactions with Related Parties) of the Financial Statements for the details of related party transactions Directors and Management trading of the Company shares during the year.

Below is a summary of the related party transactions held in 2020 that were relevant to the Board Members:

Details of Transaction	Type of Transaction	Amount paid in 2020 (BD)
Market Making agreement with SICO	Business	61,129
Bahrain Institute of Banking and Finance (BIBF)	Sponsorship	3,150
Bahrain Football association: Sh. Nasser League and King's Cup 2019/2020	Donation	50,000
Bahrain Olympic Committee	Sponsorship	75,000

CORPORATE GOVERNANCE
(CONTINUED)

3. Composition of the Board (Continued)

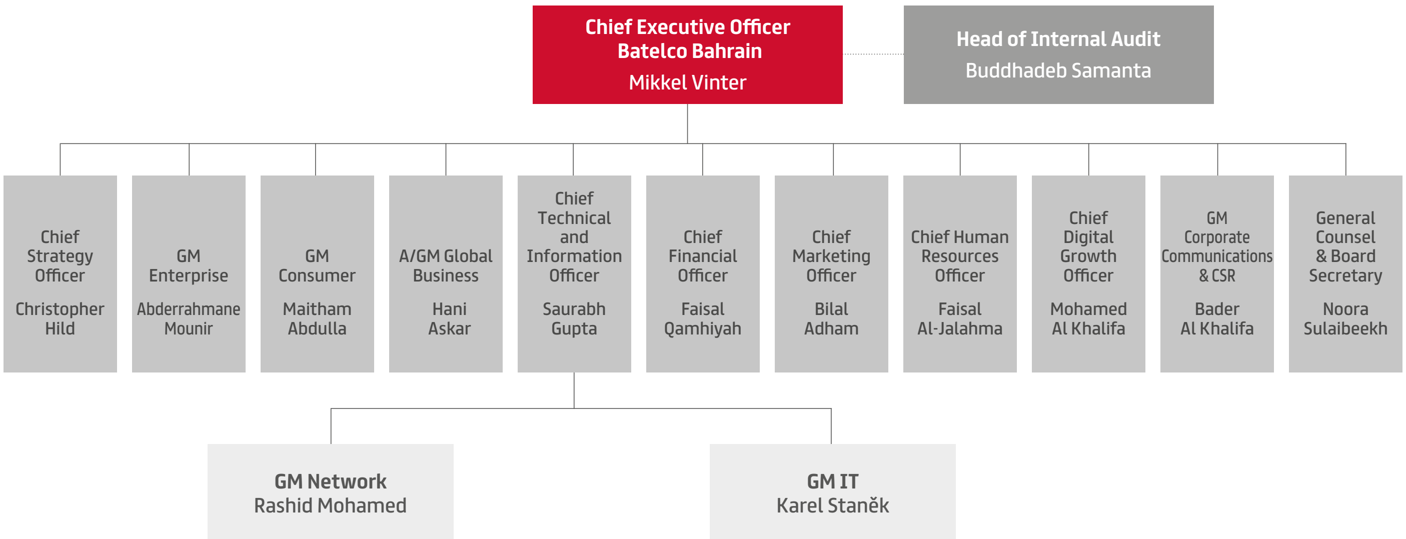
Conflict of Interest

Batelco has ensured that all Board Members are aware of their obligation to adhere to the Company's strict policy to disclose any conflict of interest that may arise before a discussion of a certain agenda item, or any external appointment made that may affect their judgment. Additionally, the Board has the duty to avoid any circumstances that may result in a conflict. In all cases, all matters of conflict must be declared and approved by the Board. During the year 2020, the Board Members have declared conflict in discussions and refrained from voting on the below:

#	Date	Meeting and Date	Conflict of Interest Matter	Declared by
1	16 January/ 24 March /30 April 2020	Board	Project (B)	Mr. Raed Fakhri Mr. Arif Rahimi
2	20 February 2020		Board Remuneration	All Board Members
			F1 Sponsorship	Mr. Arif Rahimi
3	24 March/ 30 April 2020		Project (IP)	Mr. Raed Fakhri
4	30 April 2020		Project (P)	Mr. Jean Christophe Durand Mr. Raed Fakhri Mr. Abdulla Bukhowa
5	27 July 2020		Interest Hedging Mandate	Shaikh Abdulla Al Khalifa Mr. Khalid Taqi
			Project (B)	Mr. Raed Fakhri
6	28 October 2020		Cross Listing	Shaikh Abdulla Al Khalifa Mr. Raed Fakhri Mr. Khalid Taqi Mr. Jean Christophe Durand
			Market Disruption Clause and Market Making Renewal	Shaikh Abdulla Al Khalifa Mr. Khalid Taqi
7	15 January 2020	Executive Committee	Project (B)	Mr. Raed Fakhri Mr. Arif Rahimi
8	28 April/ 23 July 2020			Mr. Raed Fakhri
9	02 February 2020		Project (IP)	Mr. Raed Fakhri
10	28 April 2020		Project (P)	Mr. Raed Fakhri
11	23 July 2020		Interest Hedging Mandate	Mr. Khalid Taqi
12	23 September 2020		Market Disruption Clause	Mr. Khalid Taqi
13	22 October 2020		Batelco Properties Strategy	Mr. Raed Fakhri
			Market Disruption and Market Making renewal	Mr. Khalid Taqi
14	18 March 2020	Remuneration, Nomination, Donations and Corporate Governance Committee	Nomination of Directors	All Committee Members
15	9 April 2020		Board Directorship Changes of Committees and Opcos	Shaikh Abdulla Al Khalifa
16	22 April 2020			Mr. Khalid Taqi
17			Crown Prince Program Sponsorship	Ms. Fatema Al Arayedh
18	13 September 2020		Board Members Benefits	All Committee Members
19			Donations	Mr. Raed Fakhri

Batelco Organizational Structure:

Batelco's Organization structure is comprised of several levels, the below structure highlights the Executive Team



Below is a summary of the Key Executive Management Profiles:

Name and Position	Experience	Education	Appointment date in the Company
Mikkel Vinter Chief Executive Officer	Mr. Vinter has over 20 years of international experience gained with telecom operators in the Middle East, Asia and Europe, including several Greenfield mobile start-up operations. He founded Virgin Mobile, Middle East & Africa in 2006 and served as its Chief Executive Officer until 2016. Prior to setting up Virgin Mobile Middle East & Africa, Mr. Vinter was Chief Commercial Officer at Nawras Oman. Directorships/Other Roles • Member of the Board of Directors of Umniah Mobile Company PLC, Sure Limited and Dhiraagu (Dhivehi Raajjeyge Gulhun PLC) where he is also on the RNG Committee. • Member of the Al Waha Fund of Funds, Limited Partner Advisory Committee.	• Master's degree in Economics and Business Administration - Copenhagen Business School. • Completed a Marketing and Management Programme with McGill University and INSEAD.	2019
Faisal Qamhiyah Chief Financial Officer	Mr. Qamhiyah's experience includes commercial and financial roles across various industries including Financial investments and telecoms. Prior to becoming CFO, he held the role of CFO of Batelco Group, and earlier was CFO at Umniah, Batelco's sister operation in Jordan, Finance Director, Chief Operations Officer for Zain Jordan and investments Director for Ern Capital.	• BA in Economics & Accounting - Yarmouk University Jordan. • Passed the AICPA exams from Delaware USA in 1999. • Completed the Executive Development Programme (EDP) at Kellogg School of Management, Chicago USA.	2012

CORPORATE GOVERNANCE
(CONTINUED)

Name and Position	Experience	Education	Appointment date in the Company
Abderrahmane Mounir General Manager Enterprise	Mr. Mounir held the roles of COO then CMO at Batelco prior to his current role. He has over 20 years' experience in the industry; his previous roles include EVP at Orange Morocco in charge of the enterprise and wholesale markets and over 10 years with Cisco Systems handling several roles in consultancy, technical marketing R&D and sales general management.	• Engineering degree in Telecommunication and Computing Engineering - INPT Morocco • Master of Science in Computer and Electrical Engineering - Wichita State University, Kansas, USA.	2016
Shaikh Bader Al Khalifa General Manager Corporate Communications & CSR	Shaikh Bader has 24 years' experience across diverse fields including HR, Learning & Development, Coaching, Marketing and Corporate Communications. His experience prior to Batelco included ALBA where he was involved in important projects such as the expansion of the smelter. Since joining Batelco in 2010, Shaikh Bader has held a number of managerial and executive roles and currently in addition to being responsible for Corporate Communications, CSR & Sustainability, he also looks after the needs of the VIP Segment.	• BA in Business Administration - Boston University, USA. • Master of Science in Management - Boston University, USA.	2010
Bilal Adham Chief Marketing Officer	Mr. Adham's has over 12 years' experience within the ecommerce, retail and telecoms sector having worked for a number of International businesses, VC backed and privately owned such as Accenture and Landmark group. Additionally, he sat on customer advisory boards for global tech companies enabling first to market Digital commerce initiatives.	• BSc in Internet Business - University of Westminster. • Chartered Marketer accredited by the Chartered Institute of Marketing.	2019
Buddhadeb Samanta Head of Internal Audit	Mr. Samanta has 20 years of experience in the international telecommunications industry, having established the Internal Audit functions for mobile operators in Indonesia, Dubai and India. Among his previous roles he was Chief Internal Auditor of Smartfren Telecom (Indonesia) and held various roles with Du Telecom (Dubai) including the post of Director Internal Audit.	• Bachelor's degree in Commerce - St Xavier's College, Calcutta University. • Chartered Accountant qualifications from the Institute of Chartered Accountants of India.	2019
Christopher Hild Chief Strategy Officer	With over 12 years' experience in strategy development and execution, Mr. Hild's previous roles include senior positions in strategy consulting, leading projects related to digital transformation, customer experience, topline growth, operational excellence, and cost optimization, for a number of telecom operators in the Middle East, Europe, Africa and Asia.	• BA in Public Management & Governance - Zeppelin University, Germany.	2019
Faisal Al-Jalahma Chief Human Resources Officer	Mr. Al Jalahma held various roles including Director of Finance, IT and HR at the Bahrain Telecommunications Regulatory Authority (TRA), prior to joining Batelco. The role included transformational projects to digitalise and automate systems at the TRA. Mr. Al-Jalahma was also a key player and a member of the Steering Committee for the 4th National Telecommunications Plan (NTP4).	• MBA - University of Strathclyde, UK • Several executive qualifications from Harvard Business School and Harvard University, John F. Kennedy School of Government.	2018
Hani Askar A/General Manager Global Business	Since joining Batelco, Mr. Askar has held various roles across the Company including the position of Manager Datacom Products National and International in the Enterprise Division and Senior Manager Global Products and Capacity Management in the Global Division. He was a key player in the development of Manama Internet Exchange (MN-IX), Global Zone Bahrain and Batelco Gulf Network (BGN).	• BEng (Hons) in Computing and Communications Systems Engineering - University of Manchester, Institute of Science and Technology (UMIST), UK. • Postgraduate Certificate in Management (Telecoms) - Lancaster University, UK.	2004

Name and Position	Experience	Education	Appointment date in the Company
Karel Staněk General Manager IT	Mr. Staněk has over 15 years of experience in the technology sector, which includes key roles in the telecommunications industry. Prior to joining Batelco, he held the role of Chief Information Officer with Vodafone Czech Republic and before that, he was responsible for Digital Transformation, Core IT, and delivery of strategic projects for the company. His previous roles include senior positions in IT projects delivery, and leading major ERP implementations across various geographies in Europe.	• Master's degree in System Engineering & Informatics - VSB - Technical University of Ostrava, Czech Republic. • Several professional certifications in the Agile and Project management domain.	October 2020
Maitham Abdulla General Manager Consumer Division	During over 15 years with Batelco, Mr. Abdulla has demonstrated strong skills in telecom product management and development. His wide experience covers business planning, mobile technology, fiber-based products, Data Centers and content services.	• MBA in Marketing & Business Management from Al-Ahlia University. • BSc in Management Information Systems from NYIT.	2006
Shaikh Mohamed Al Khalifa Chief Digital Growth Officer	Shaikh Mohamed was Head of Strategic Projects, and ICT Business Development at the Bahrain Economic Development Board prior to joining Batelco. His role revolved around public and private sector cloud adoption, Blockchain, startups and enhancing infrastructure development across the GCC. Previously, Shaikh Mohamed was advisor to the Minister of Foreign Affairs.	• Bachelor's degree in Politics - American University, Washington DC. • MSC in Middle East Politics - School of Oriental and African Studies, UK.	January 2020
Noora Sulaibeekh General Counsel and Board Secretary	Mrs. Sulaibeekh is a qualified Bahraini lawyer specialized in Telecom, Media and Technology, with over 13 years of international experience within the telecom industry. Her previous roles include the position of Group Legal Counsel at Etisalat Group from 2013 to 2015 and prior to that held the role of Group Legal Counsel with Batelco from 2009.	• Master's degree in International Relations and Sustainable Development Law - Paris Sorbonne University.	2015
Rashid Mohamed General Manager Network	Mr. Mohamed has more than 15 years' experience in telecommunications, having joined Batelco as a network engineer in 2005. He has held key management positions in various divisions at Batelco including Mobile Network development, Fixed Operations as well as leading the Strategy role for Network and IT to deliver the latest digital technologies.	• Master's degree in Engineering & Management from Northumbria University, UK. • BSc in Electronics & Communication Engineering from Napier University, UK.	2005
Saurabh Gupta Chief Technology and Information Officer	Mr. Gupta worked with Vodafone for over 8 years across UK, Germany, and Czech Republic where he held the role of Chief Information Officer, before joining Batelco. Previously, he spent over 10 years with Unilever in India and the UK in a number of technology delivery and management roles.	• Engineering degree - IIT (Indian Institute of Technology) Roorkee. • Post-graduate in Management - IIM (Indian Institute of Management) Ahmedabad. • Technology Excellence Programme - Imperial College Business School London.	January 2020

**Adel Al-Daylami served as Chief Global Business Officer until 31st December, 2020.

CORPORATE GOVERNANCE
(CONTINUED)

Total Remuneration paid to the Key Executive Management for the year 2020:

The Company has a framework in place to monitor and evaluate the performance of the executive management and employees of the Company. An equitable and transparent system of limits and performance metrics is in place which is used to reward the employees of the Company for their accomplishments during the year. The executive management under the guidance of the Remuneration Committee is responsible for administering the employee performance process.

The total key executive management compensation was recorded at BD 1,586 million, Please refer the **note 37** (Transactions with Related Parties) of the financial statements for the details of Key personnel management.

4. External Auditors

KPMG has had a presence in the Kingdom of Bahrain for nearly 50 years. From a small local accounting firm, founded in 1968 by university friends Jassim M. Fakhro and Hussain Kasim, KPMG in Bahrain has become one of the largest and most prestigious professional services firms in the country. KPMG in Bahrain employs over 300 professional staff and partners. They also provide clients a suite of locally-supported Audit, Tax and Advisory services.

Name of the Audit Firm	KPMG Fakhro
Years of service as the Company's External Auditor	Since 1993
Name of the Partner in Charge of the Company's Audit	Salman Manjlai
The Partner's years of service as the partner in charge of the Company's audit	1st year
Total audit fees for the financial statements for the year 2020 (BD)	87,500
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2020 (BD) if any. In the absence of such fees, this shall be expressly stated	127,500

5. Board Committees Structure

In line with the Code of Governance the Board have set up sub committees to oversee some of their responsibilities which are clarified in each Committee's charter, below is the Company's Board Committee's Structure:

Audit Committee

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Audit Committee met on **8** occasions on the following dates.

Members	16 Jan	19 Feb	6 Apr	14 Apr	29 Apr	3 Jun	26 Jul	26 Oct
Mr. Jean Christophe Durand (Chairman)	-	-	📞	📞	📞	📞	📞	📞
Mr. Abdulla Bukhowa (Deputy Chairman)	-	-	📞	📞	📞	📞	📞	📞
Sh. Ali Al Khalifa (Member)	☎̸	☎̸	📞	📞	📞	☎̸	📞	📞
Maj. Gen. Ali AlNoaimi (Member)	-	-	☎̸	📞	📞	📞	📞	📞
Mr. Ahmed Al Hujairy (Previous Member)	📞	📞	-	-	-	-	-	-
Mr. Oliver McFall (Previous Member)	📞	📞	-	-	-	-	-	-
Mrs. Khulood Al Qattan (Previous Member)	📞	📞	-	-	-	-	-	-

31 March 2020 – Committee membership changes.

Remuneration, Nomination, Donation and Corporate Governance Committee

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

During the year, the Committee met on **8** occasions on the following dates.

Members	9 Feb	13 Feb	18 Mar	9 Apr	22 Apr	14 Jul	13 Sep	15 Nov
Sh. Abdulla Al Khalifa (Chairman)	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Raed Fakhri (Deputy Chairman)	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Khalid Taqi (Member)	📞	📞	📞	📞	📞	📞	📞	📞
Ms. Fatema AlArayedh (Member)	-	-	-	📞	📞	📞	📞	📞
Mr. Jean Christophe Durand (Previous Member)	📞	📞	📞	-	-	-	-	-

31 March 2020 – Committee membership changes.

Executive Committee

As per the Charter of the Executive Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. The committee in first quarter of the year was composed of 5 members, the Board resolved to reduce the size of the committee to 4 members instead.

During the year, the Executive Committee met on **12** occasions on the following dates:

Members	15 Jan	2 Feb	16 Feb	12 Mar	28 Apr	8 Jun	18 Jun	23 Jul	23 Sep	22 Oct	26 Nov	7 Dec
Mr. Raed Fakhri (Chairman)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Khalid Taqi (Deputy Chairman)	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Abdulla Alhammadi (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Ahmed Abdulrahman (Member)	-	-	-	-	📞	📞	📞	📞	📞	📞	📞	📞
Mr. Jean Christophe Durand (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	-	-
Mr. Arif Rahimi (Previous Member)	📞	📞	📞	📞	-	-	-	-	-	-	-	-
R. Adm Yousif Al Sabt (Previous Member)	📞	☎	📞	📞	-	-	-	-	-	-	-	-

31 March 2020 – Committee membership changes.

CORPORATE GOVERNANCE
(CONTINUED)

6. Corporate Governance Officer

Batelco appointed Ms. Noor Bukamal as Corporate Governance Officer in December 2018; she has an MA in Human Resource Management.

7. Details of any irregularities committed during the financial year

Nil

8. Cash and in-kind contributions made by the Company during the year 2020

The AGM last year approved a budget of BD 1.29M for the purpose of donation. The amount mentioned has been donated to different societies and causes that aimed to better the local community. Major contributions were given towards the Health, Community, Environment, Sports and Youth domains.

9. Ownership Structure

Batelco is a Public Listed Company which its share capital is owned by various Government, Organizations and the General Public from different regions. The Table below displays the details of the shareholders' equity and distribution:

Name	Number of Shares held	Percentage of shares held	Type	Shareholder Classification
1 Mumtalakat Holding Company	609,840,000	36.67%	Government	Local
2 Amber Holding Company	332,640,000	20%	Organization	Foreign
3 Social Insurance Organization	337,835,705	20.31%	Government	Local
4 Public	382,884,295	23.02%	Individuals, corporate, government and organizations	Local, Gulf, Arab, and Foreign

Shareholders who hold 5% or more of the Company's share capital as at 31/12/2020:

According to the Company's share register as at 31/12/2020, there is no individual that holds over 5% of the Company's share capital.

Shareholders Distribution by Size of Ownership:

The table below shows the distribution of Ownership of Batelco shares by Size of Ownership:

Shareholding Amount	Number of Shareholders	Number of shares held	Percentage of shares held
Less than 50,000	10,028	32,745,328	1.969%
50,000 to 500,000	664	92,947,093	5.588%
500,000 to 5,000,000	113	143,505,763	8.628%
More than 5,000,000	12	1,394,001,816	83.814 %
Total	**10,817**	**1,663,200,000**	**100 %**

Significant events that occurred during the year 2020

Nil

10. Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			✓	
Principle 2: The directors and executive management shall have full loyalty to the company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	
***Principle 9:** Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a. *			Not Applicable to Batelco	

* Applicable only to the companies offering Islamic services.

11. Any disclosures required by the regulatory authorities

Nil

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the Board of Directors, it gives me great pleasure to present the 39th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (Batelco), for the year ended 31st December 2020.

Batelco achieved strong financial results for 2020 with a 10% year-over-year increase in net profit attributable to equity holders of BD56.7M (US$150.4M).

The 2020 results reflect the company's commitment to achieve its strategic objectives and effective cost management while adapting quickly to the challenges faced during the year. Whilst gross revenues of BD387.3M (US$1,027.3M) are 4% below 2019, the company reduced its operating costs by 10% resulting in EBITDA of BD154.7M (US$410.3M), 9% above the prior year and with a healthy margin of 40%.

Batelco's balance sheet remains strong with total assets of BD992.2M (US$2,631.8M) and net assets of BD512.1M (US$1,358.4M) as of 31 December 2020. The Company ended the year with substantial cash and bank balances of BD195.3M (US$518.0M) and a robust Net Debt to EBITDA ratio of 0.7x.

In line with increasing shareholder value and delivering excellent returns, Batelco increased its interim dividend by 35% from 10 fils to 13.5 fils earlier this year. 2020 also marked significant increases in Batelco's share price, which reached its highest level since 2011.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2020.

BD millions	2020	2019
Final cash dividends proposed	27.44	29.11
Interim cash dividends paid	22.36	16.55
Donations	4.39	1.29
Transfer to statutory reserve	-	0.23

Batelco is committed to consistently delivering attractive returns to its shareholders. Accordingly, the Board of Directors has recommended a full year cash dividend of BD49.8M (US$132.1M), at a value of 30.0 fils per share to be agreed at the Annual General Meeting, of which 13.5 fils per share was already paid during the third quarter of 2020 with the remaining 16.5 fils to be paid following the AGM in March 2021.

Batelco swiftly adapted to the unprecedented circumstances of 2020 to achieve the strategic objectives of the core strategy, which include a focus on cost containment, resulting in 10% YoY decrease in operating costs and contributing to a 10% increase in net profits over 2019. The efforts are also reflected in the improvements in Operating Profits and EBITDA which increased by 7% and 9% respectively, year on year.

During the year key investments were made in the further development of 5G, which we activated across all four governorates of Bahrain covering 95% of the nation's population. We also launched our latest Tier III Data Center, which is the largest enterprise Data Center in Bahrain. Going forward, Batelco will continue to play its part in providing innovative digital services. This is in line with our vision and being a proud member of Team Bahrain, following the directives of the Kingdom's fifth National Telecommunication Plan, and supporting the telecom sector in accordance with the Kingdom's vision for the digital economy.

Batelco places importance on supporting team members and the corporate culture, as a healthy work environment reflects on the team's performance. We have directed the management to launch several programmes which are focused on developing the work environment and a high-performance culture, such as the Chairman's Award.

As a result of these efforts, Batelco has been ranked the number 1 certified organization in the telecommunication sector across the Middle East in 2020 as a great workplace, by Great Place to Work® Institute Middle East, and we are immensely proud of this achievement.

I take this opportunity to express my sincere gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and Prime Minister, for the government's tremendous support towards the telecoms sector which has been instrumental in our ongoing success.

I appreciate the contribution of the members of the Board who represent diverse backgrounds. Their strong commitment has been vital as we have worked together for the benefit of Shareholders and I would like to thank them for their input. On the same note, I offer my thanks to Batelco's management and all team members who contributed to a successful year.

Delivering value for our shareholders remained central in 2020 and we are proud to announce increased EPS for the year. Batelco's share price which during year 2020 reached its highest level since 2011 remains strong and reflects the confidence that the market and investors have in Batelco. I extend appreciation to our shareholders for putting their trust in Batelco's direction and vision, and going forward it remains a priority for us to achieve the best returns for them.

As we move forward in 2021, we will continue to adapt our plans to remain successful and achieve our goals. We are committed to applying best practice corporate governance to support Batelco's strategy and achieve its vision while ensuring that shareholder value is maximised. We have confidence that Batelco's management will make every effort to achieve the set goals and continue raising the bar to achieve more success for Batelco and the telecommunications sector in Bahrain.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2021.

Abdulla bin Khalifa Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC
February 21st 2021

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Telecommunication Company BSC (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

(refer to the accounting policies in note 8 c) and disclosure in note 27 of the consolidated financial statements)

Description	How the matter was addressed in our audit
We focused on this area because: – There is an inherent risk around the accuracy of revenue recorded given the complexity of systems involved in processing revenue transactions and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.). – The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.	Our audit approach included controls testing and substantive procedures for key revenue streams covering, in particular: – testing the IT environment in which rating, billing and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams; – testing the controls and governance processes over reconciliation from business support systems to rating and billing systems to the general ledger; – performing tests on the accuracy of customer bill generation including credits and discounts applied to customer bills on a sample basis; – performing tests on allocation of revenue for bundled contracts and recognition of revenue on multi-period contracts; – performing tests on accuracy of allocation and recording unbilled revenue representing good and service obligations performed but not billed yet; and – evaluating the adequacy of the Group disclosures related to revenue recognition by reference to the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

Carrying value of goodwill

(refer to the use of estimate and management judgement in note 5 and impairment policy in note 8(n)(ii) and disclosure in note 11 of the consolidated financial statements)

Description	How the matter was addressed in our audit
As at 31 December 2020, the Group's consolidated financial statements includes recognised goodwill of BD 137.5 million which arose from the acquisition of subsidiaries. Impairment charges on goodwill has been recognized in the prior periods. An assessment is required annually to establish whether this goodwill should continue to be recognized or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary or a cash generating unit using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires significant judgement and hence has been identified as a key area of audit focus.	Our audit procedures, amongst others, included: – understanding of the Group's budgeting process upon which the forecasts are based; – we involved our own valuation specialists to assist us in: • evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; and • evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, long term growth rates, revenue and EBITDA margins and comparing progress against stated business plans. – evaluating the adequacy of the Group disclosures related to goodwill impairment by reference to the relevant accounting standards.

Capitalisation and useful lives of network assets and telecom equipment, and other intangible assets

(refer to the use of estimate and management judgement in note 5, accounting policy in notes 8(d) and 8(f) and disclosures in note 9 and 13 of the consolidated financial statements)

Description	How the matter was addressed in our audit
We focused on this area because there are a number of areas where management judgement impacts the carrying value of network assets and telecom equipment, and other intangible assets and their respective depreciation/amortisation profiles. These include: – The decision to capitalise or expense costs; – The timeliness of the transfer from assets in the course of construction/ deployment to relevant capitalized asset categories; and – The annual asset life review including the impact of changes in the Group's strategy.	Our procedures, amongst others, included: – we tested controls in place over the fixed asset cycle, the acquisition process and evaluated the appropriateness of capitalisation policies, and assessed the timeliness of the transfer of assets in the course of construction; – we assessed the nature of costs incurred and capitalised in capital projects through testing of amounts recorded and assessing whether the expenditure incurred met capitalisation criteria; – we tested the controls over the annual review of useful life of assets. In addition, we tested whether the Group's decisions on useful life of asset are appropriate by considering our knowledge of the business and practice in the wider telecoms industry; and – evaluating the adequacy of the Group disclosures related to capitalisation and useful life of network assets and telecom equipment and other intangible assets by reference to the relevant accounting standards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Chairman's Report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

1) As required by the 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 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.

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:

   a) a corporate governance officer; and

   b) a Board approved written guidance and procedures for corporate governance

The engagement partner on the audit resulting in this independent auditors' report is Salman Manjlai.

KPMG

KPMG Fakhro

Partner registration number 213

21 February 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

BD'000

	Note	2020	2019
ASSETS			
Non-current assets			
Property and equipment	9	282,651	277,143
Right-of-use assets	10	50,970	45,391
Goodwill	11	137,504	136,208
Other intangible assets	13	137,821	151,417
Equity accounted investees	14	4,709	13
Deferred tax assets	15	8,642	10,058
Post-employment benefit assets	16	-	5,183
Investments	17	20,071	19,756
Other non-current assets		1,850	-
Total non-current assets		**644,218**	645,169
Current assets			
Inventories		8,255	8,221
Trade and other receivables	18	143,887	136,901
Investments	17	497	27,075
Cash and bank balances	19	195,299	175,508
Total current assets		**347,938**	347,705
Total assets		**992,156**	992,874
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	19,832	18,502
Lease liabilities	10	43,852	37,642
Loans and borrowings	22	201,290	38,854
Deferred tax liabilities	15	8,896	10,512
Total non-current liabilities		**273,870**	105,510
Current liabilities			
Trade and other payables	20	176,680	168,587
Lease liabilities	10	7,185	6,562
Loans and borrowings	22	22,339	198,840
Total current liabilities		**206,204**	373,989
Total liabilities		**480,074**	479,499
Net assets		**512,082**	513,375
EQUITY			
Share capital	24	166,320	166,320
Statutory reserve	26	83,285	83,160
General reserve	26	44,000	44,000
Other reserves		(42,035)	(47,351)
Treasury shares	25	(2,792)	(2,059)
Retained earnings		224,390	229,040
Total equity attributable to equity holders of the Company		**473,168**	473,110
Non-controlling interest		38,914	40,265
Total equity (Page 94)		**512,082**	513,375

The consolidated financial statements, which consist of pages 91 to 135 were approved by the Board of Directors on 21 February 2021 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa	Raed Abdulla Fakhri	Mikkel Vinter
Chairman	Deputy Chairman	Chief Executive Officer

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

	Note	2020	2019
Revenue	27	**387,303**	401,466
Expenses			
Network operating expenses	28	(135,046)	(148,013)
Staff costs		(51,236)	(55,496)
Voluntary employee retirement program cost	21	-	(11,094)
Depreciation, amortization and tangible asset impairment	9,10,13	(73,572)	(66,221)
Impairment loss on trade receivables and contract assets	18	(4,302)	(4,146)
Other operating expenses	29	(42,035)	(41,044)
Total expenses		**(306,191)**	(326,014)
Results from operating activities		**81,112**	75,452
Finance and related income		5,387	7,633
Finance and related expenses		(14,968)	(15,425)
Other expenses (net)	30	(1,908)	(127)
Gain on sale of investment in subsidiary		-	28,421
Impairment of investment in associate		-	(25,381)
Share of loss from equity accounted investees (net)		(829)	(2,833)
Profit before taxation		**68,794**	67,740
Income tax expense	15	(4,949)	(5,697)
Profit for the year		**63,845**	62,043
Total Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		1,264	3,396
Investment fair value changes (debt securities)		(123)	1,154
		1,141	4,550
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset including related tax	16	(4,439)	151
		(4,439)	151
Other comprehensive income, net of tax		**(3,298)**	4,701
Total comprehensive income for the year		**60,547**	66,744
Profit for the year attributable to:			
Equity holders of the Company		56,738	51,642
Non-controlling interest		7,107	10,401
		63,845	62,043
Total comprehensive income for the year attributable to:			
Equity holders of the Company		53,438	56,341
Non-controlling interest		7,109	10,403
		60,547	66,744
Basic and diluted earnings per share (Fils)	31	**34.2**	31.2

The consolidated financial statements, which consist of pages 91 to 135 were approved by the Board of Directors on 21 February 2021 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa
Chairman

Raed Abdulla Fakhri
Deputy Chairman

Mikkel Vinter
Chief Executive Officer

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

	Note	2020	2019
Operating Activities			
Profit for the year		63,845	62,043
Adjustment for:			
Non-operating items, including tax		16,438	(14,805)
Impairment of investment in associate		-	25,381
Share of loss from equity accounted investees		829	2,833
Depreciation, amortization and tangible asset impairment		73,572	66,221
Impairment loss on trade receivables and contract assets	18	4,302	4,146
		158,986	145,819
Working capital changes:			
Increase in trade and other receivables		(14,845)	(9,850)
Increase in inventories		(13)	(1,613)
Increase in trade and other payables		9,338	16,861
Cash generated from operating activities		**153,466**	151,217
Taxes paid		(5,638)	(7,011)
Payment to charities		(4,428)	(798)
Net cash from operating activities		**143,400**	143,408
Investing Activities			
Acquisition of property, equipment and intangibles, net of disposal		(61,760)	(79,412)
Proceeds from disposal of investment in subsidiary		-	18,890
Net cash from sale/ (purchase) of Investments		65,086	(20,367)
Interest and investment income received		7,404	6,010
Net cash from/ (used in) investing activities		**10,730**	(74,879)
Financing Activities			
Dividend paid		(60,223)	(54,947)
Payment of lease liabilities		(10,584)	(9,748)
Interest paid		(11,155)	(12,276)
Borrowings (repaid)/ drawn, net		(14,388)	554
Acquisition of treasury shares		(716)	-
Purchase of market making shares		(17)	(2,059)
Net cash used in financing activities		**(97,083)**	(78,476)
Increase/ (decrease) in cash and cash equivalents during the year		**57,047**	(9,947)
Cash and cash equivalents at 1 January	19	86,410	96,357
Cash and cash equivalents at 31 December	19	**143,457**	86,410

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

		Equity attributable to equity holders of the Company											
					Other Reserves			Treasury shares					
2020	Note	**Share capital**	**Statutory reserve**	**General reserve**	**Foreign currency translation reserve**	**Investment fair value reserve**	**Post-employment benefit actuarial reserve**	**Market making shares**	**Share based payment reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
At 1 January 2020		166,320	83,160	44,000	(14,490)	(28,684)	(4,177)	(2,059)	-	229,040	473,110	40,265	513,375
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**56,738**	**56,738**	**7,107**	**63,845**
Other comprehensive income													
Foreign currency translation differences		-	-	-	1,262	-	-	-	-	-	1,262	2	1,264
Investment fair value changes		-	-	-	-	(123)	-	-	-	-	(123)	-	(123)
Remeasurement of defined benefit asset including related tax	16	-	-	-	-	-	4,177	-	-	(8,616)	(4,439)	-	(4,439)
Total other comprehensive income		**-**	**-**	**-**	**1,262**	**(123)**	**4,177**	**-**	**-**	**(8,616)**	**(3,300)**	**2**	**(3,298)**
Total comprehensive income for the year		**-**	**-**	**-**	**1,262**	**(123)**	**4,177**	**-**	**-**	**48,122**	**53,438**	**7,109**	**60,547**
Contributions and distributions													
Final dividends declared for 2019	32	-	-	-	-	-	-	-	-	(28,994)	(28,994)	-	(28,994)
Interim dividend declared for 2020	32	-	-	-	-	-	-	-	-	(22,362)	(22,362)	-	(22,362)
Donations approved for 2019		-	-	-	-	-	-	-	-	(1,291)	(1,291)	-	(1,291)
Market making shares transactions, net	25	-	-	-	-	-	-	(17)	-	-	(17)	-	(17)
Acquisition of treasury shares	25	-	-	-	-	-	-	-	(716)	-	(716)	-	(716)
Transfer to statutory reserve	26	-	125	-	-	-	-	-	-	(125)	-	-	-
Non-controlling interest recognised on acquisition	12	-	-	-	-	-	-	-	-	-	-	397	397
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(8,857)	(8,857)
Total contributions and distributions		**-**	**125**	**-**	**-**	**-**	**-**	**(17)**	**(716)**	**(52,772)**	**(53,380)**	**(8,460)**	**(61,840)**
At 31 December 2020		**166,320**	**83,285**	**44,000**	**(13,228)**	**(28,807)**	**-**	**(2,076)**	**(716)**	**224,390**	**473,168**	**38,914**	**512,082**

		Equity attributable to equity holders of the Company										
					Other Reserves			Treasury shares				
2019	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Market making shares	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 2019		166,320	83,160	44,000	(18,254)	(29,838)	(4,328)	-	224,188	465,248	39,632	504,880
Profit for the year		-	-	-	-	-	-	-	51,642	51,642	10,401	62,043
Other comprehensive income												
Foreign currency translation differences		-	-	-	3,394	-	-	-	-	3,394	2	3,396
Investment fair value changes		-	-	-	-	1,154	-	-	-	1,154	-	1,154
Remeasurement of defined benefit asset including related tax	16	-	-	-	-	-	151	-	-	151	-	151
Total other comprehensive income		-	-	-	3,394	1,154	151	-	-	4,699	2	4,701
Total comprehensive income for the year		-	-	-	3,394	1,154	151	-	51,642	56,341	10,403	66,744
Contributions and distributions												
Final dividends declared for 2018	32	-	-	-	-	-	-	-	(28,983)	(28,983)	-	(28,983)
Interim dividend declared for 2019	32	-	-	-	-	-	-	-	(16,554)	(16,554)	-	(16,554)
Donations approved for 2018		-	-	-	-	-	-	-	(1,253)	(1,253)	-	(1,253)
Purchase of market making shares	25	-	-	-	-	-	-	(2,059)	-	(2,059)	-	(2,059)
Transfer to statutory reserve	26	-	566	-	-	-	-	-	(566)	-	-	-
Derecognition of a subsidiary on loss of control		-	(566)	-	370	-	-	-	566	370	(360)	10
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	-	(9,410)	(9,410)
Total contributions and distributions		-	-	-	370	-	-	(2,059)	(46,790)	(48,479)	(9,770)	(58,249)
At 31 December 2019		166,320	83,160	44,000	(14,490)	(28,684)	(4,177)	(2,059)	229,040	473,110	40,265	513,375

The accompanying notes 1 to 41 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

1. REPORTING ENTITY

Bahrain Telecommunications Company BSC (the "Company", the "Parent") was incorporated as 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 2020 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. 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 significant subsidiaries and equity accounted investees of the Group included in these consolidated financial statements are as follows:

Company	Country of incorporation	Principal activity	Share Holding (%)
Subsidiaries			
Bnet B.S.C (c)	Kingdom of Bahrain	Telecommunication services	100
Batelco Middle East Holding Co. B.S.C (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Company B.S.C (c)	Kingdom of Bahrain	Holding Company	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	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
Umniah for Renewable energy	Kingdom of Jordan	Renewable energy	96
Al-Huloul Al-Malyeh Leldafea Belhatef Anaqal ("Alhuloul")	Kingdom of Jordan	Digital services	63.36*
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
Sure (Diego Garcia) Limited	Bermuda	Telecommunication services	100
Sure South Atlantic Limited	Falklands	Telecommunication services	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
BTC Sure Group Limited	United Kingdom	Holding Company	100
Equity accounted investees			
Yemen Company for Mobile Telephony Y.S.C ("Sabafon")	Republic of Yemen	Telecommunication services	26.94
The Jordanian Company for Advanced Optical Fiber - (FiberTech)	Kingdom of Jordan	Telecommunication services	49
Advanced Regional Communication Solutions Holding Limited (ARC)	United Arab Emirates	Telecommunication services	50

*Refer to note 12 Acquisition of subsidiary for details on increase in stake in Alhuloul.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the requirements of the Commercial Company Law and Central Bank of Bahrain's Disclosure Standards for listed entities. They were authorised for issue by the Company's board of directors on 21 February 2021.

Details of the Group's accounting policies, including changes thereto, are included in note 6 and note 8.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. BASIS OF MEASUREMENT

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

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's 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 on-going basis. Revisions to estimates are recognized prospectively.

A. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

• Note 8 (c)	Revenue recognition: estimates of expected returns;
• Note 8 (r)	Recognition of deferred tax assets: availability of future taxable profits against deductible temporary difference and tax losses carried forward can be utilised;
• Note 8 (n)	Impairment test of intangible assets and goodwill. Key assumptions underlying recoverable amounts;
• Note 8 (m)	Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
• Note 8 (n)	Measurement of expected credit loss ("ECL") allowance of trade receivables and contract assets: key assumptions underlying ECL;
• Note 8 (a) (v)	Impairment of carrying value of associates; and
• Note 12	Acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

B. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

• Note 8 (c)	Revenue recognition, identification of performance obligation and whether revenue from contracts with customers should be recognised over time or at a point in time;
• Note 14	Equity-accounted investees: whether the Group has significant influence over an investee;
• Note 8 (a)	Consolidation: whether the Group has de facto control over an investee;
• Note 10	Lease term Right-of-use assets: whether the Group is reasonably certain to exercise extension options; and
• Note 9, 3	Useful life of property, equipment and other intangibles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

BD'000

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

C. Measurement of fair values

A number of the Group's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted market price (unadjusted) in an active market for an identical assets and liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset and liability that are not based on observable market data (unobservable inputs).

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

• Note 33 & 34	Financial instruments
• Note 17	Investments
• Note 12	Acquisition of subsidiary
• Note 16 (d)	Share based payments

6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially adopted Definition of Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 8 (a). See also note 12 for details of the Group's acquisition of subsidiary during the year.

7. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted, however, the Group has not early adopt the new or amended standards in preparing these consolidated financial statements.

A. Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs the Group includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

B. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of reform of an interest rate benchmark, including the effects of changes to contractual cash flows. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities.

i. Change in basis for determining cash flow

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Group has BD 169.7 thousand secured bank loans that will be subject to IBOR reform. The Group is in the process of assessing the potential impact on its consolidated financial statements of adopting these amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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7. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (Continued)

ii. Disclosure

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related management activities.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID-19- Related Rent Concession (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

8. 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, except for changes arising from the adoption of amendments to IFRS 3 as set out in note 6.

a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset of group of similar assets.

The consideration transferred in acquisition is generally measured at its fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) 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 ceases.

(iii) Non-controlling interests (NCI)

NCI are measured initially 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.

(iv) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Interest in equity-accounted investees

The Group interest in equity-accounted investees comprises interest in associates and a joint venture.

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of income and expenses and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Associates are assessed for impairment.

The net investment in an associate or joint venture is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.

i) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains and losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at reporting 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.

Non-Monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translations of an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are classified to profit or loss).

ii) Financial statements of foreign operations

The assets and liabilities of the Group's subsidiaries and associates based outside the Kingdom of Bahrain ("foreign operations"), including goodwill and fair value adjustments arising on acquisition, are translated into Bahraini Dinars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year.

Foreign currency differences are recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety or partially such that control, significant influence or join control is lost, the cumulative amount in the translation reserve is reclassified to consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Nature of goods and service

Sale of equipment

Revenue from handset and other equipment sales is recognised when the product is delivered, and on transfer of control to the customer.

If revenue arrangements from bundled contracts include more than one Performance Obligation (PO), the arrangement consideration is allocated to each performance obligation based on their relative standalone selling price (SSP).

For equipment sold with the right of return after the control has been passed onto the customer, the Group defers revenue based on the expected returns per the historical return data for the last 24 months. Such revenue will need to be recognized only when the related return period expires.

Provision of Network 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 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.

Contract Costs

Contract costs that are incremental in obtaining a contract with a customer are capitalized and amortised over the period of related revenues. Applying the practical expedient per IFRS15, the Group recognises incremental cost of obtaining a contract as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

(i) Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

(ii) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time as the related performance obligations are fulfilled.

d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, 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; and
- capitalised borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property and equipment (Continued)

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 expenditure

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

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of a property and equipment. Assets are depreciated from the date 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	Current Estimated useful life (Years)
Buildings	5 - 50
Network assets & telecom equipment	2 - 40
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.

(iv) 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.

e) 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 initially 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.

Rental income from investment property is recognised as other income in straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

f) Intangible assets and goodwill

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually at the balance sheet date.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Intangible assets and goodwill (Continued)

Other intangible assets

License fees, trade name, customer relationships & associated assets, non-network software and Indefeasible Rights of Use (IRUs). 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 future economic benefits embodied in specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

(i) 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, non-network software and IRUs	3 - 20

Amortisation methods, useful lives and residual values, are reviewed at each reporting date and adjusted, if appropriate.

g) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leases (Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short term leases and lease of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties as well as leased property (see Note 10). All leases are classified as operating leases from a lessor perspective.

h) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, impairment and share of profit of equity-accounted investees and income taxes.

i) Financial instruments

(i) Recognition and initial measurement

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction

costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financial component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

A financial asset (which is not an equity instrument) is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

The Group currently classified all its receivables and financial liabilities at amortised cost except for contingent consideration payable which is measured at FVTPL and investments (debt and equity) which are carried at either FVTPL or FVOCI.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in
- isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/ loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Write-off

A financial asset is written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Group currently has certain debt securities measured at FVOCI and equity investment designated as at FVOCI. For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest expense using the effective interest method;
- Expected Credit Losses (ECL) and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

j) Government grant

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as a reduction of associated cost in the periods in which the expense are recognised.

k) 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. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

l) 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. Inventories comprise of mobile handsets, cable and wires and other inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Provisions

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

n) Impairment

(i) Finacial assets

The Group measures loss allowances for its trade and other receivables arising from its revenue generating activities at an amount equal to lifetime Expected Credit Loss (ECL) using the simplified approach permitted under IFRS 9. For other financial instruments, the Group applies the general approach, where if credit risk has not increased significantly since their initial recognition, impairment is measured as 12-month ECL and for all other instances lifetime ECL is recognised.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Under the general approach, the Group applies three-stage approach to measuring ECL on financial assets carried at amortised cost (including long term loans included within the carrying value of investment in associates) and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

a) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

b) Stage Classification: General approach

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL - not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

(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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Impairment (Continued)

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

o) Employee benefits

(i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) 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.

(iii) 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.

(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 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 loss 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.

(v) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(vi) 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. The scheme is a defined contribution plan.

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Employee benefits (Continued)

(vii) Employee share awards

The fair value of share awards granted under the Group Employee Share Awards Plan ("Plan") is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Plan is administered by the Employee Share Trust ("Trust"), which is consolidated in accordance with the principles defined in note 16. When the shares are granted at the end of vesting period, the Trust transfers the appropriate amount of shares to the employee. The difference between the value of shares transferred to the employee and treasury shares purchased earlier for this purpose is credited or debited to retained earnings.

(viii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

p) Finance and related income

The Group's finance and related income includes:

- Interest income
- Dividend income
- The foreign currency gain on financial assets and financial liabilities
- The net gain on financial assets at FVTPL
- The gain on remeasurement to fair value of any pre-existing interest in an acquiree in a business combination

Interest income is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of asset (when the asset is not credit-impaired).

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

q) Finance and related expenses

The Group's finance and related expense includes:

- Interest expense
- The foreign currency loss on financial liabilities
- The net loss on financial assets at FVTPL

Interest expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the gross carrying amount of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the amortised cost of the liability.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(ii) Deferred tax

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

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

s) Earnings per share

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

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (refer to note 40). The Group primarily identifies its segment on the basis of geographical operations that are managed as a single performance unit for the purpose of internal reporting to its Board of Directors.

u) Fair value measurement

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) 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 Group ceases to classify the asset as held-for-sale and measures 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.

9. PROPERTY AND EQUIPMENT

31 December 2020	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2020
Cost					
At 1 January	77,241	583,182	45,337	59,462	765,222
Additions	-	7,851	568	42,286	50,705
Projects completed	244	45,400	4,135	(49,779)	-
Disposals	(517)	(2,767)	(1,054)	-	(4,338)
Impairment	-	-	-	(14)	(14)
Effect of movements in exchange rates	174	1,817	888	105	2,984
At 31 December	**77,142**	**635,483**	**49,874**	**52,060**	**814,559**
Depreciation					
At 1 January	54,694	400,423	32,962	-	488,079
Charge for the year	1,702	39,972	3,995	-	45,669
Disposals	(248)	(2,677)	(1,007)	-	(3,932)
Effect of movements in exchange rates	110	1,283	699	-	2,092
At 31 December	**56,258**	**439,001**	**36,649**	**-**	**531,908**
Net book value At 31 December 2020	**20,884**	**196,482**	**13,225**	**52,060**	**282,651**

For a list of properties owned and rented by the Company, please refer to note 41.

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9. PROPERTY AND EQUIPMENT (Continued)

31 December 2019	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2019
Cost					
At 1 January	77,120	553,721	43,397	47,671	721,909
Additions	-	15,046	744	45,785	61,575
Projects completed	503	30,733	2,834	(34,070)	-
Disposals	(582)	(18,004)	(2,549)	(12)	(21,147)
Effect of movements in exchange rates	200	1,686	911	88	2,885
At 31 December	77,241	583,182	45,337	59,462	765,222
Depreciation					
At 1 January	54,028	379,491	31,080	-	464,599
Charge for the year	1,140	36,908	3,662	-	41,710
Disposals	(571)	(17,099)	(2,443)	-	(20,113)
Effect of movements in exchange rates	97	1,123	663	-	1,883
At 31 December	54,694	400,423	32,962	-	488,079
Net book value At 31 December 2019	22,547	182,759	12,375	59,462	277,143

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases telecom sites, retail shops and other rented premises and equipment. The leases typically run for a period of 5-10 years, with an option to renew the lease after that date. Lease payments are renegotiated at the time of signing the new contract to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indicates. For certain leases, the Group is restricted from entering into any sub-lease arrangement.

a) Right- of- Use Assets

Information about leases for which the Group is a lessee is presented below. Right-of-use assets related to leased properties that do not meet the definition of investment property.

	Land and buildings	Network assets and Telecom Equipment	Motor vehicles, Furnitures, fittings & office equipment	Total
2020				
Balance at 1 January	22,097	21,911	1,383	45,391
Additions	13,660	185	-	13,845
Amortisation charge for the period	(8,041)	(108)	(561)	(8,710)
Effect of movements in exchange rates	445	-	(1)	444
Balance at 31 December 2020	**28,161**	**21,988**	**821**	**50,970**

	Land and buildings	Network assets and Telecom Equipment	Motor vehicles, Furnitures, fittings & office equipment	Total
2019				
Balance at 1 January	23,804	17,359	1,595	42,758
Additions	1,826	7,910	350	10,086
Amortisation charge for the period	(3,970)	(3,354)	(562)	(7,886)
Effect of movements in exchange rates	437	(4)	-	433
Balance at 31 December 2019	22,097	21,911	1,383	45,391

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

b) Lease Liabilities

	2020	2019
Current	7,185	6,562
Non-current	43,852	37,642
Balance at 31 December	51,037	44,204

Amounts recognised in profit or loss	**2020**	**2019**
Interest on leases liabilities	2,164	2,415
Expenses relating to short-term leases/ low value leases	4,594	6,064

c) Leases as lessor

The Group leases out its owned commercial properties on an arm's length basis.

11. GOODWILL

	2020	2019
At 1 January	136,208	135,367
Goodwill on acquisition of subsidiary (note 12)	369	-
Exchange rate adjustments	927	841
At 31 December	**137,504**	136,208

a) Analysis of Goodwill

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

	2020	2019
Jordan	91,804	91,318
Maldives	21,871	21,871
Sure	23,792	22,983
Others	37	36
	137,504	136,208

b) Impairment of goodwill

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

(ii) The key assumptions for the fair value 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 (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 4%). The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations range between 7.5% to 11.5%.

(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 changes in the above variables, and any adverse change in key assumptions could result in a materially significant change in the carrying value of the goodwill and related assets. In case of the Jordan CGU, the recoverable amount of the CGU was more than its carrying value and accordingly no impairment loss has been recognised in 2020 (2019: nil) in respect of goodwill allocated to the Jordan CGU. For Maldives, Sure Group and other locations, recoverable amounts exceed the carrying value by a comfortable range. Refer note on segment reporting (note 40) for details of net assets (including goodwill and intangibles) attributable to each CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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12. ACQUISITION OF SUBSIDIARY

On 1 March 2020, the Group (through its Jordanian subsidiary Umniah) increased its nominal stake in Al-Huloul Al-Malyeh Leldafea Belhatef Anaqal ("Alhuloul"), a digital services company registered in Jordan, from 11.67% to 66% (effective stake increased from 11.2% to 63.36%, considering the Group has a 96% stake in Umniah), granting it control of Alhuloul.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Alhuloul are inputs (Computer hardware and software), production process and an organized workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of Alhuloul will enable the Group to offer digital transaction platform for payments through mobile devices.

A. **Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amount of assets acquired and liabilities assumed at the date of acquisition 1 March 2020.

Property, plant and equipment	8
Intangible assets	53
Trade and other receivables	665
Cash and cash equivalents	922
Trade and other payables	(480)
Net assets acquired	**1,168**

The above reported amounts represent the carrying values as reported by the acquired entity as at 1 March 2020 and have been reported on a provisional basis as permitted by IFRS 3 Business Combinations. The results of acquired company have also been included in Group's consolidated financial statements from the date of acquisition on a provisional basis.

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.

B. **Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

Consideration transferred	1,063
NCI, based on Group's proportionate interest in the recognised amounts of the assets and liabilities of Alhuloul	397
Fair value of pre-existing interest in Alhuloul *	77
Fair value of identifiable net assets	(1,168)
Goodwill (note 11)	369

* During 2019, the Group had already remeasured the value of its existing interest in Alhuloul to BD 77, which value approximated the fair value at the acquisition date of 1 March 2020.

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13. OTHER INTANGIBLE ASSETS

31 December 2020	**Licenses**	**Others**	**Total**
Cost			
At 1 January	211,247	107,370	318,617
Additions during the year	182	4,696	4,878
Disposals during the year	-	(609)	(609)
Effect of movements in exchange rates	1,408	1,074	2,482
At 31 December	**212,837**	**112,531**	**325,368**
Amortisation			
At 1 January	88,746	78,454	167,200
Charge for the year	13,517	5,676	19,193
Disposals during the year	-	(607)	(607)
Effect of movements in exchange rates	849	912	1,761
At 31 December	**103,112**	**84,435**	**187,547**
Net book value			
At 31 December 2020	**109,725**	**28,096**	**137,821**

31 December 2019	Licenses	Others	Total
Cost			
At 1 January	165,594	105,339	270,933
Additions during the year	44,337	3,653	47,990
Disposals during the year	-	(2,688)	(2,688)
Effect of movements in exchange rates	1,316	1,066	2,382
At 31 December	211,247	107,370	318,617
Amortisation			
At 1 January	76,752	75,587	152,339
Charge for the year	11,351	4,719	16,070
Disposals during the year	-	(2,688)	(2,688)
Effect of movements in exchange rates	643	836	1,479
At 31 December	88,746	78,454	167,200
Net book value			
At 31 December 2019	122,501	28,916	151,417

Others includes trade name, customer relationship and associated assets, non-network softwares and Indefeasible right to use (IRU) including those recognised as part of acquisition accounting.

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14. EQUITY ACCOUNTED INVESTEES

		2020	2019
Investment in Sabafon	(i)	-	-
Investment in ARC	(ii)	2,918	-
Investment in FiberTech	(iii)	1,791	13
At 31 December		**4,709**	13

i. This represents Group's 26.94% investment in Sabafon. Following the crisis in Yemen, this investment was written off to nil in 2019.

ii. During 2019, the Group formed a joint venture with another regional operator to provide telecom infrastructure services within the GCC region. During 2020, the Group has made a capital contribution of BD 3,181 for this venture and recorded a loss of BD 168 (2019: BD 94) as its share of losses of this joint venture.

iii. During 2019, one of Group subsidiaries invested BD 13 representing 49% of share capital of The Jordanian Company for Advanced Optical Fiber ("FiberTech") in which investment was increased by BD 2,439 during 2020. The principal activities of FiberTech are to provide mass high-speed internet services to telecommunications companies and internet service providers operating in Jordan. During 2020, the Group recognized a loss of BD 661 (2019: BD 260) in respect of its share of loss from this associate.

15. INCOME TAXES

Amounts recognised in profit or loss for the year

	2020	2019
Current tax expense	6,659	6,215
Deferred tax expense	(1,710)	(518)
Tax expense for the year	**4,949**	5,697

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% (2019: 0%). The table below reconciles the difference between the expected tax expense of nil (2019: 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

	2020	2019
Profit before tax	68,794	67,740
Corporation tax rate of 0% in Bahrain (2019: 0%)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(4,949)	(5,697)
Tax expense for the year	(4,949)	(5,697)
Profit after tax for the year	**63,845**	62,043

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

	2020	2019
At 1 January	10,512	10,302
Credit to the consolidated profit or loss	(1,768)	(370)
Other movements	(33)	313
Exchange differences	185	267
At 31 December	**8,896**	10,512

The recognised deferred tax asset of BD 8,642 (2019: BD 10,058) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Channel Islands jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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16. POST-EMPLOYMENT BENEFIT ASSETS

a) Defined benefit scheme

Funded schemes

At 31 December 2020, 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.

During the period, Sure Guernsey executed a contract with a UK insurance provider to provide a Buy In for the pension scheme. As a result, the entity transferred its pension assets to the insurance provider in June 2020 and fully closed the reserve in December 2020.This gave rise to the de-recognition of actuarial reserve and related pension asset resulting in a net reduction of BD 8,616 in retained earnings and BD 4,439 in equity.

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

	2020			2019		
	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	14,397	19,580	(5,183)	13,726	18,475	(4,749)
Included in profit or loss						
Interest costs/ (income)	230	317	(87)	391	529	(138)
Expense costs	-	(96)	96	-	(46)	46
Settlement (costs)/ credit	(15,015)	(15,015)	-	-	-	-
	(14,785)	**(14,794)**	**9**	391	483	(92)
Included in OCI						
Actuarial changes arising from:						
- demographic assumptions	-	-	-	(341)	-	(341)
- financial assumptions	1,653	440	1,213	991	-	991
- experience adjustments	-	-	-	(219)	-	(219)
Return on plan assets excluding interest income	(1,169)	(4,395)	3,226	-	582	(582)
	484	**(3,955)**	**4,439**	431	582	(151)
Movements in exchange rates	771	(610)	1,381	533	724	(191)
	1,255	**(4,565)**	**5,820**	964	1,306	(342)
Other						
Contributions paid by employer	-	646	(646)	-	-	-
Benefits paid	(867)	(867)	-	(684)	(684)	-
At 31 December	**-**	**-**	**-**	14,397	19,580	(5,183)

The following tables summarise the components of net benefit (credit)/ expense recognised in the consolidated statement of comprehensive income and the funded status and amounts recognised in the consolidated statement of financial position for the respective plans:

	2020	2019
Interest income on benefit obligation	(87)	(138)
Expense cost	96	46
	9	(92)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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16. POST-EMPLOYMENT BENEFIT ASSETS (Continued)

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

	2020	2019
Bonds	-	3,882
Others	-	15,698
	-	19,580

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

Assumptions	2020	2019
Price inflation	3.10%	3.00%
Discount rate	1.50%	2.00%
Pension increases	3.10%	3.00%
Life expectancy of male aged 60 in 2020 (2019:2019)	27.1	27.0
Life expectancy of male aged 60 in 2040 (2019:2039)	28.9	28.8

b) Unfunded Defined benefits

The provision for leaving indemnity in respect of employees amounted to BD 1.6 million (2019: BD 1.9 million) and is included under Trade and Other Payables.

c) Defined contribution plan

The Group's contributions in respect of employees against their pension rights and other social benefits amounted to BD 5.0 million (2019: BD 5.0 million).

d) Share-based payments

During 2020, the Group established the Employee Share Awards Plan ("Plan"). The Plan is designed to provide long-term incentives for selected management personnel to deliver long-term financial KPIs. Under the Plan, participants are granted shares (awards) which only vest if certain performance standards are met. Participation in the Plan is at the board's discretion, and no individual has a guaranteed contractual right to participate in the Plan or to receive any guaranteed benefits.

Shares are granted under the Plan for no consideration and carry no voting rights. The grant share price is the average of Batelco's share price quoted on Bahrain Bourse for each trading day during the month of January preceding the grant date of 1 April. Shares granted to participants are held by a trustee in a trust established solely for these share awards until vesting. The amount of shares that will vest after 3 years ("Vesting Period") depends on cumulative achievement of Group's financial targets over a three-year period. The Vesting Date relating to every Vesting Period is 1 April following the completion of the Vesting Period. All awards are vested to participants on the Vesting Date.

During the year, the Group awarded 1,418,555 shares to its employees. No awards have expired during the year. The above rewards will vest on 1 April 2023. The fair value of the awards on the grant date is BD 0.359 per share.

17. INVESTMENTS

		2020	2019
I. Investments securities			
a. At Fair Value Through Other Comprehensive Income (at FVOCI)			
- Debt securities	(i)	7,697	34,471
- Equity securities	(ii)	5,863	5,275
b. At Fair Value Through Profit and Loss (at FVTPL)			
- Equity securities		11	88
		13,571	39,834
II. Investment properties, at cost		6,997	6,997
At 31 December		**20,568**	46,831

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17. INVESTMENTS (Continued)

Investments are classified as follows:

	2020	2019
Current assets	497	27,075
Non-current assets	20,071	19,756
	20,568	46,831

(i) Debt securities comprise Group's investment in:

- Bahrain Sovereign Bonds amounting BD 7.2 million (2019: BD 34.5 million). These bonds have maturity dates ranging from 2020 to 2023, carry a fixed semi-annual coupon interest ranging from 5.5% to 6.125% per annum on the face value.
- Treasury bills amounting to BD 0.5 million (2019: Nil). These billls have maturity dates upto 3 months and carry interest ranging from 2.20% to 2.21% per annum on the face value. At 31 December 2020, all of these bills were classified under current assets as maturing within 12 months.

(ii) Equity securities at FVOCI include:

- BD 3.8 million (2019: BD 3.8 million) representing market value of equity investment in Etihad Atheeb Telecommunications Company ("the investee"), a company listed on Saudi Stock Exchange. In 2020, there was no change in the market value of the investment.
- BD 2.1 million (2019: BD 1.5 million) representing Group's investment in Al Waha Venture Capital Fund of Funds, which is closed ended Bahrain domiciled PIU managed by Bahrain Development Bank. The current cost represents the net asset value of the fund which approximates its fair value.

18. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	87,212	76,352
Contract assets (unbilled revenue)	29,848	27,433
Less impairment allowance	(25,232)	(21,219)
	91,828	82,566
Prepaid expenses	8,057	7,162
Other receivables	44,002	47,173
	143,887	136,901

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

	2020	2019
Customer accounts	44,418	39,659
Telecom operators	17,562	15,474
Contract assets (unbilled revenue) (Note 27)	29,848	27,433
	91,828	82,566

The movement on the allowance for impairment was as follows:

	2020	2019
At 1 January	21,219	25,125
Impairment loss recognised for the year	4,302	4,146
Effect of movements in exchange rates	15	(14)
Written off during the year	(304)	(8,038)
At 31 December	**25,232**	21,219

The impairment allowances as at 31 December 2020 and 2019 represent life-time ECL on trade receivables and contracts assets (refer to note 34).

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19. CASH AND BANK BALANCES

	2020	2019
Cash in hand	79	376
Cash at bank	195,220	175,132
	195,299	175,508

Cash and bank include BD 51,842 (2019: BD 89,098) on account of short-term deposits with maturities exceeding three months, restricted cash and unclaimed dividends which have been excluded for the purposes of statement of cash flows.

20. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	68,869	74,167
Amounts due to telecommunications operators	10,995	10,308
Provisions, accrued expenses and other payables	84,692	71,889
Contract liability (note 27)	3,298	3,954
Customer deposits and billings in advance	26,321	24,154
Current tax liability	2,337	2,617
	196,512	187,089

Trade and other payables are classified as follows:

	2020	2019
Current liabilities	176,680	168,587
Non-current liabilities	19,832	18,502
	196,512	187,089

In accordance with the Bahrain Bourse Board Resolution No. 3 of 2020 dated 29 April 2020, the Group has transferred unclaimed dividends up to the year 2019 amounting to BD 3,394 along with the liability to settle the unclaimed dividends. The funds were transferred to the Unclaimed Cash Dividends Fund with Bahrain Clear BSC (c). Accordingly, the related dividend liabilities have been derecognized.

Significant changes in the contract liabilities balances during the year are as follows:

	2020	2019
At 1 January	3,954	3,091
Contract liabilities recognized during the year	40,795	32,480
Transferred to revenue during the year	(41,471)	(31,637)
Effect of movements in exchange rates	20	20
At 31 December	**3,298**	**3,954**

21. PROVISIONS

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

	Voluntary employee retirement program		Asset retirement obligation	
	2020	2019	2020	2019
At 1 January	404	-	3,182	4,171
Amounts provided during the year	-	11,094	165	163
Amounts paid during the year	(404)	(10,960)	-	-
Reclassification from other accruals	-	270	-	-
Amounts written back during the year	-	-	-	(1,152)
At 31 December	**-**	404	**3,347**	**3,182**

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21. PROVISIONS (Continued)

Voluntary Employee Retirement Program

During 2019, the Board of Directors approved a voluntary employee retirement program to restructure the operations in line with its strategy. The Group recognised provision of BD 11.1 million for expected costs of this program during 2019, of which BD 11.0 million was utilised in 2019 and BD 0.4 million was utilized in 2020.

Asset Retirement Obligation

The provision for asset retirement obligations represent the provisions made for the best estimate of the present value of the unavoidable future cost of dismantling and removing the items of property and equipment and restoring the sites on which they are located. The following assumptions have been used to calculate the asset retirement obligation at reporting date:

	2020	2019
Expected rate of increase of the dismantling cost	3.50%	3.50%
Discount rate	10%	10%

22. LOANS AND BORROWINGS

		2020	2019
a) Current			
Term financing facilities from banks	*(i)*	13,630	10,536
Overdraft Facilities	*(iii)*	8,709	10,127
Bonds		-	178,177
		22,339	198,840
b) Non-current			
Term financing facilities from banks	*(i)*	31,640	38,854
Long term loan	*(ii)*	169,650	-
		201,290	38,854
		223,629	237,694

(i) Terms financing facilities from banks include:

a) Long term loan facility with a total available amount of BD 58.5 million (2019: 58.5 million) (of which BD 24.4 million (2019: 34.1 million) outstanding as of 31 December 2020) which has been utilised by a Group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR - 3.35% per annum and is due to be settled by 2023. As at 31 December 2020, BD 9.7 million (2019: 9.7 million) of the outstanding amount was classified under current liabilities being due within the next 12 months;

b) Long term loan facility with a total available amount of BD 8.0 million (2019: 8.0 million) (of which BD 7.2 million (2019: 2.7 million) outstanding as of 31 December 2020) was obtained by a Group company to fund the company's infrastructure and network requirements. The facility bears an interest rate of PLR - 2.2% per annum and is due to be settled by 2025. As at 31 December 2020, BD 1.6 million (2019: 0.8 million) of the outstanding amount was classified under current liabilities being due within the next 12 months;

c) Long term loan facility with a total available amount of BD 12.8 million (2019: 12.8 million) (of which BD 12.7 million (2019: 12.6 million) outstanding as of 31 December 2020) was obtained by a Group company to fund the company's license fees. The facility bears an interest rate of PLR - 2.125% per annum and is due to be settled by 2024. As at 31 December 2020, BD 2.1 million (2019: nil) of the outstanding amount was classified under current liabilities being due within the next 12 months; and

d) Long term loan facility with a total available amount of BD 8.0 million (2019: 8.0 million) (of which BD 1.1 million (2019: nil) is outstanding as of 31 December 2020) was obtained by a Group company to fund the company's share in a joint venture. The facility bears an interest rate of PLR - 1.75% per annum and is due to be settled by 2024. As at 31 December 2020, BD 0.2 million (2019: nil) of the outstanding amount was classified under current liabilities being due within the next 12 months.

(ii) Long term loan facility with a total available amount of BD 169.7 million (of which BD 169.7 is outstanding as of 31 December 2020) was obtained by the Company to fund its bond repayment in May 2020. The facility bears an interest rate of Libor + 1.80% per annum and is due to be settled by one bullet payment in 2025;

(iii) The overdraft facilities were obtained by a Group company to support its working capital needs. The interest rates on these facilities range from 5.00% to 5.35% p.a. and the amount drawn at the balance sheet date amounted to BD 8.7 million (2019: BD 10.1 million). The undrawn overdraft limits as at 31 December 2020 amounted to BD 6.4 million (2019: BD 5.0 million);

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23. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity			
2020	**Bank overdrafts used for cash management purposes**	**Other loans and borrowings**	**Share capital**	**Retained earnings, other reserves and treasury shares**	**NCI**	**Total**
Balance at 1 January 2020	10,127	227,567	166,320	306,790	40,265	751,069
Changes from financing cash flows						
Borrowings (net)	(1,428)	(12,960)	-	-	-	(14,388)
Purchase of treasury shares	-	-	-	(716)	-	(716)
Purchase of market making shares	**-**	**-**	**-**	**(17)**	**-**	**(17)**
Dividend paid	-	-	-	(53,318)	(6,664)	(59,982)
Total changes from financing cash flows	**(1,428)**	**(12,960)**	**-**	**(54,051)**	**(6,664)**	**(75,103)**
Effect of changes in foreign exchange rates	10	44	-	1,262	2	1,318
Other liability-related changes	-	269	-	-	-	269
Profit for the year	-	-	-	56,738	7,107	63,845
Other equity-related changes (net)	-	-	-	(3,891)	(1,796)	(5,687)
Balance at 31 December 2020	**8,709**	**214,920**	**166,320**	**306,848**	**38,914**	**735,711**

	Liabilities		Equity			
2019	Bank overdrafts used for cash management purposes	Other loans and borrowings	Share capital	Retained earnings, other reserves and treasury shares	NCI	Total
Balance at 1 January 2019	15,139	221,641	166,320	298,928	39,632	741,660
Changes from financing cash flows						
Borrowings (net)	(5,017)	5,571	-	-	-	554
Treasury shares acquired (net)	-	-	-	(2,059)	-	(2,059)
Dividend paid	-	-	-	(45,537)	(9,410)	(54,947)
Total changes from financing cash flows	(5,017)	5,571	-	(47,596)	(9,410)	(56,452)
Effect of changes in foreign exchange rates	5	(6)	-	-	2	1
Other liability-related changes	-	361	-	-	-	361
Profit for the year	-	-	-	51,642	10,401	62,043
Other equity-related changes (net)	-	-	-	3,816	(360)	3,456
Balance at 31 December 2019	10,127	227,567	166,320	306,790	40,265	751,069

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24. SHARE CAPITAL

		2020	2019
a)	**Authorised**		
	2,000 (2019: 2,000) million shares of 100 fils each	**200,000**	200,000
b)	**Issued and fully paid:**		
	1,663 (2019: 1,663) million shares of 100 fils each	**166,320**	166,320

- 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	609,840	37
Amber Holdings Limited	Cayman Islands	332,640	20
Social Insurance Organisation	Bahrain	337,836	20

Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1%	314,485	10,809	18
1% up to less than 5%	68,399	2*	4
5% up to less than 10%	-	-	-
10% up to less than 20%	-	-	-
20% up to less than 50%	1,280,316	3	78
	1,663,200	**10,814**	**100**

*includes Batelco Group holdings of the treasury shares

25. TREASURY SHARES

a) Market making shares	2020	2019
As at 31 December (Amount)	2,076	2,059
Number of market making shares as at 31 December	6,485,000	6,550,000
b) Share based payment treasury shares		
As at 31 December (Amount)	716	-
Number of share based payment treasury shares as at 31 December	1,418,555	-
Total treasury shares (Amount)	**2,792**	2,059
Total number of treasury shares	**7,903,555**	6,550,000

Batelco is carrying out market making activities through a designated market maker, in accordance with the regulations promulgated by the Central Bank of Bahrain and the Bahrain Bourse. As per the regulations, the designated market maker of Batelco cannot hold more than 3% of Batelco's issued share capital at any time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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26. STATUTORY AND GENERAL RESERVE

a) Statutory reserve

The Commercial Companies Law 2001 (as amended) 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. 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 included as part of Group statutory reserve. The reserve is not available for distribution, except in the circumstances stipulated in the applicable law of each country.

During 2020, Batelco International Company B.S.C (c), one of Group's wholly owned subsidiaries made a transfer to statutory reserves of BD 125 in accordance with Bahrain Commercial Law. These consolidated financial statements reflect the effect of this transfer.

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer was made during the year 2020 by the shareholders of the Company.

27. REVENUE

a) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its operating segments.

	Reportable segments						
2020	**Bahrain**	**Jordan**	**Maldives**	**SURE Group**	**Total reportable segments**	**Elimination**	**Total**
Major products/ service lines							
Mobile Telecommunication Services	69,749	61,138	35,827	17,639	184,353	(33)	184,320
Data Communication Circuits	48,064	5,182	9,243	7,141	69,630	(61)	69,569
Fixed Broadband	31,084	19,473	8,208	10,938	69,703		69,703
Fixed Line Telecommunication Services	11,601	-	2,432	8,314	22,347		22,347
Wholesale Services	13,779	2,193	1,250	3,115	20,337	(61)	20,276
Others	7,224	2,751	3,751	7,717	21,443	(355)	21,088
	181,501	**90,737**	**60,711**	**54,864**	**387,813**	**(510)**	**387,303**
Timing of recognition							
Products transferred at a point in time (Equipment revenue)	16,928	7,618	2,072	3,911	30,529	-	30,529
Products and services transferred over time (Revenue from provision of network services)	164,573	83,119	58,639	50,953	357,284	(510)	356,774
	181,501	**90,737**	**60,711**	**54,864**	**387,813**	**(510)**	**387,303**

For a further break down of total revenue by the Group's key geographical segments, please refer to note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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27. REVENUE (Continued)

a) Disaggregation of revenue from contracts with customers *(continued)*

	Reportable segments							
2019	Bahrain	Jordan	Maldives	SURE Group	Total reportable segments	All other segments	Elimination	Total
Major products/ service lines								
Mobile Telecommunication Services	71,883	64,672	42,671	18,449	197,675	-	(32)	197,643
Data Communication Circuits	47,291	5,301	10,797	6,817	70,206	7,320	(1,941)	75,585
Fixed Broadband	26,829	15,335	7,548	9,824	59,536	2,434	-	61,970
Fixed Line Telecommunication Services	12,985	-	2,820	7,733	23,538	-	-	23,538
Wholesale Services	11,506	2,090	1,256	2,943	17,795	-	(99)	17,696
Others	8,321	2,639	4,807	7,966	23,733	1,657	(356)	25,034
	178,815	90,037	69,899	53,732	392,483	11,411	(2,428)	401,466
Timing of recognition								
Products transferred at a point in time (Equipment revenue)	19,990	4,547	3,259	4,672	32,468	1,286	-	33,754
Products and services transferred over time (Revenue from provision of network services)	158,825	85,490	66,640	49,060	360,015	10,125	(2,428)	367,712
	178,815	90,037	69,899	53,732	392,483	11,411	(2,428)	401,466

b) Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

	2020	2019
Trade Receivables	61,981	55,133
Contract assets	29,848	27,433
Contract liabilities	3,298	3,954

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time as the related performance obligations are fulfilled within 1 year.

c) Contract cost

During 2020, the Group capitalized incremental commission fees paid to intermediaries as a result of obtaining contracts as contract costs amounting BD 2,438 (2019: BD 1,536). Such capitalized commission fees are amortized when the related revenues are recognized, which amortisation amounted to BD1,593 in 2020 (2019: BD 1,021).

28. NETWORK OPERATING EXPENSES

	2020	2019
Outpayments to telecommunications operators	53,623	59,774
Cost of sales of equipment and services	51,365	51,933
Maintenance and support /others	18,313	22,788
License fee	7,151	7,454
Operating lease rentals	4,594	6,064
	135,046	148,013

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29. OTHER OPERATING EXPENSES

	2020	2019
Marketing, advertising and publicity	12,534	12,735
IT operations and maintenance	10,166	6,545
Professional fees	5,701	6,972
Office rentals, office utilities and office expenses	5,459	5,670
Other expenses	8,175	9,122
	42,035	41,044

30. OTHER EXPENSES (NET)

	2020	2019
Other non-operating income	513	281
Foreign exchange gain/ (loss)	181	(507)
Gain/ (loss) on disposal of assets	25	(168)
Other non-operating expenses	(2,839)	(75)
Rental income	212	342
	(1,908)	(127)

31. EARNINGS PER SHARE ("EPS")

	2020	2019
Profit for the year attributable to equity holders of the Company	**56,738**	51,642
Weighted average number of shares outstanding during the year (in million)	**1,657**	1,657
Basic earnings per share (Fils)	**34.2**	31.2

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

32. DIVIDENDS

The dividends paid in 2020 were BD 51.4 million (BD 31 Fils per share) and 2019 were BD 45.5 million (BD 27.5 Fils per share). The dividends paid in 2020 include an amount of BD 29.0 million relating to the final dividend for the year ended 31 December 2019 and interim dividend (subject to AGM ratification) of BD 22.4 million for the year 2020. The total dividend in respect of the year ended 31 December 2020 of 30 Fils per share, amounting to BD 49.8 million (including final dividend of BD 27.4 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 25 March 2021. These consolidated financial statements do not reflect the final dividend payable.

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33. FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT

a) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2020	**At amortised cost**	**FVOCI**	**FVTPL**	**Total carrying amount**
Financial assets				
Investments at fair value	-	13,560	11	13,571
Trade receivables and contract assets - net	91,828	-	-	91,828
Other receivables	44,002	-	-	44,002
Cash and bank balances	195,299	-	-	195,299
	331,129	**13,560**	**11**	**344,700**
Financial liabilities				
Trade payables	68,869	-	-	68,869
Accrued expenses, contract liabilities and other payables	84,692	-	-	84,692
Amounts due to telecommunications operators	10,995	-	-	10,995
Loans and borrowings	223,629	-	-	223,629
Lease liabilities	51,037	-	-	51,037
	439,222	**-**	**-**	**439,222**

31 December 2019	At amortised cost	FVOCI	FVTPL	Total carrying amount
Financial assets				
Investments at fair value	-	39,746	88	39,834
Trade receivables and contract assets - net	82,566	-	-	82,566
Other receivables	47,173	-	-	47,173
Cash and bank balances	175,508	-	-	175,508
	305,247	39,746	88	345,081
Financial liabilities				
Trade payables	74,167	-	-	74,167
Accrued expenses, contract liabilities and other payables	65,310	-	-	65,310
Amounts due to telecommunications operators	10,308	-	-	10,308
Loans and borrowings	237,694	-	-	237,694
Lease liabilities	**44,204**	**-**	**-**	**44,204**
	431,683	-	-	431,683

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33. FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT (Continued)

a) Fair Value Hierarchy

The Group's financial assets and financial liabilities are measured at amortised cost except for certain investments which are carried at fair value.

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 2020	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets at fair value through Profit and Loss (FVTPL)					
Investments - equity securities	-	-	11	11	11
Financial assets at fair value through OCI					
Investments - debt and equity securities	-	7,697	5,863	13,560	13,560

	Fair value				
31 December 2019	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets at fair value through Profit and Loss (FVTPL)					
Investments - equity securities	-	-	88	88	88
Financial assets at fair value through OCI					
Investments - debt and equity securities	38,282	-	1,464	39,746	39,746

There was transfer from level 1 to level 2 for debt securities during the year. The Bonds have been fair valued using its quoted prices. Other loans and borrowings are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. 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

The following table shows a reconciliation from the opening balances to closing balances for Level 3 fair values for debt and equity securities:

	2020	2019
Balance at 1 January	1,552	13,326
Additions/ (disposal), net	4,322	(11,759)
Loss included in other expenses	-	(15)
Balance at 31 December	**5,874**	1,552

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

a) Risk management framework

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 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.

b) 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, contract assets, other receivables, long term financing to associates, debt investment securities and cash at bank.

(i) Trade receivables and contract assets

The Group's trade receivables are monitored based on its customer 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 net trade receivables are due for payment within 90 days and largely comprise amounts receivable from consumers and business customers. The Group obtains deposits for providing services to some customers.

The Group establishes an allowance for impairment that represents its estimate of life time expected losses in respect of trade receivables and contract assets. 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 aggregated based on customer segment and days past due. For receivables from telecom operators and government accounts in the customer segment, the net position after considering payables is assessed based on a variety of data that are determined to be predictive of the risk of loss (including external credit ratings, financial statements and available external information) and applying experienced credit judgement. For receivables and contract assets from customers, accounts are segmented by type of exposure such as consumer, enterprise, and others accounts and collective life-time ECL allowance is determined based on historical flow rates, data on payment statistics, actual credit loss experience and management estimates of recoveries based on current status of negotiations and settlement with the customers. The historic loss experience is adjusted to reflect differences between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the remaining life-time of the receivables. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables and contract assets (refer to note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

(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 cash flow from the financial asset is below the carrying value of the financial asset and has been fully impaired.

(iii) Debt investments and bank balances

The Group manages credit risk on its debt investments 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 and considering their external credit ratings. The Group limits its exposure to credit risk by investing in liquid securities, which offers low risk returns.

The calculated expected credit loss of bank balances and sovereign debt issuances is not material for recognition purposes.

(iv) Exposure to credit risk and credit quality

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:

	2020	2019
Trade receivables - customer accounts	44,418	39,659
Contract assets - customer accounts	29,848	27,433
Total trade receivables and contract assets - customer accounts	**74,266**	67,092
Trade receivables - telecom operators	17,562	15,474
Other receivables	44,002	47,173
Investments (debt securities)	7,697	34,471
Cash at bank	195,220	175,132
	338,747	339,342

	2020		2019	
Trade receivables - telecom operators	Gross carrying amount	Specific Life-time ECL, credit impaired	Gross carrying amount	Specific Life-time ECL, credit impaired
Externally rated				
Low risk (BBB- to AAA)	7,701	(1,100)	7,435	(128)
Medium risk (B- to BB+)	10,520	(1,385)	7,179	(2,116)
Higher risk (below C)	304	(50)	453	(55)
Unrated	1,581	(9)	2,710	(4)
	20,106	(2,544)	17,777	(2,303)

Movement in impairment allowance in respect of trade receivables and contract assets during the year are as follows:

	2020			2019		
	Collective life-time ECL,	**Specific life-time ECL, credit impaired**	**Total**	Collective life-time ECL,	Specific life-time ECL, credit impaired	Total
At 1 January	1,929	19,290	21,219	2,451	22,674	25,125
Written off during the year	-	(304)	(304)	-	(8,038)	(8,038)
Impairment loss recognised during the year	(177)	4,479	4,302	(521)	4,667	4,146
Effect of movements in exchange rates	1	14	15	(1)	(13)	(14)
Balance at 31 December	**1,753**	**23,479**	**25,232**	1,929	19,290	21,219

Receivables from government, telecom operators and other receivables beyond 365 days, 180 days and 90 days past due respectively are considered triggers for credit impairment and are specifically assessed for establishing ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

(v) Customer accounts including contract assets

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

	2020	2019
Operating segment		
Bahrain	45,466	41,611
Jordan	14,237	11,126
Maldives	12,245	11,632
Sure	2,267	2,672
Other countries	51	51
	74,266	67,092

The maximum exposure to credit risk classified by customer segments sharing common economic characteristics (except government accounts) with respect to credit risk is as follows:

	2020	2019
Customer segment		
Consumer	22,164	21,279
Enterprise	29,992	27,152
Government	14,517	10,251
Others	7,593	8,410
	74,266	67,092

Customer accounts	2020			2019		
	Gross exposure	**Life-time ECL**	**Credit Impaired**	Gross exposure	Life-time ECL	Credit Impaired
Current (0 – 30 days)	44,619	(802)	No	42,037	(364)	No
31 – 90 days	12,467	(653)	No	14,657	(1,390)	No
91 – 365 days	18,333	(5,318)	Yes	14,727	(5,568)	Yes
More than 1 year	21,535	(15,915)	Yes	14,587	(11,594)	Yes
Balance as at 31 December	**96,954**	**(22,688)**		86,008	(18,916)	

Consumer, enterprise and other receivables balances that are past due for more than 90 days are considered to be in default and credit impaired. Receivables from government and telecom operators beyond 365 days and 180 days past due respectively are considered triggers for credit impairment and are specifically assessed for establishing ECL.

(vi) Amounts due from telecom operators including contract assets

The maximum exposure to credit risk (net of ECL provisions) for amounts due from telecommunications operators by type of customer is as follows:

	2020	2019
Telecom operators		
International operators	8,456	8,909
Local operators	9,106	6,565
	17,562	15,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

c) 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 2020	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-5 Years**	**More than five years**
Trade payables	68,869	68,869	53,909	-	14,960
Accrued expenses, contract liabilities and other payables	84,692	84,692	84,692	-	-
Amount due to telecommunications operators	10,995	10,995	10,995	-	-
Lease liabilities	51,037	55,157	9,908	17,168	28,081
Loans and borrowings	223,629	265,168	31,958	233,210	-
	439,222	**484,881**	**191,462**	**250,378**	**43,041**

Non-derivative financial liabilities at 31 December 2019	Carrying amount	Contractual cash flows	Within one year	1-5 Years	More than two years
Trade payables	74,167	74,167	74,167	-	-
Accrued expenses, contract liabilities and other payables	65,310	65,310	65,310	-	-
Amount due to telecommunications operators	10,308	10,308	10,308	-	-
Lease liabilities	44,204	44,600	7,473	20,772	16,355
Loans and borrowings	237,694	241,605	202,751	14,494	24,360
	431,683	435,990	360,009	35,266	40,715

d) Market Risk

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

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group entities are 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. The net exposure to other foreign currencies is not significant.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Benchmark Reform:

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. Uncertainty surrounding the integrity of IBOR rates has in recent years, led regulators, central banks and market participants to work towards a transition to alternative risk-free benchmark reference rates ("RFRs") and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other Interbank Offer Rates ("IBORs") are expected to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates ("ARRs"), with the exception of certain USD LIBOR rates were cessation may be delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Group.

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 are maintained on a floating rate basis. The average interest rate yield from bank deposits and debt securities during 2020 was 3.19% (2019: 4.36%).

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

	2020	2019
Fixed rate instruments		
Financial assets	7,522	49,127
Financial liabilities	-	187,673
Variable rate instruments		
Financial assets	132,069	132,841
Financial liabilities	223,629	59,516

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 instrument

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by BD 1,687 (2019: BD 733). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other 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 investments 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.

e) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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34. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

e) Capital Management (Continued)

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. There were no significant changes in the Group's approach to capital management during the year.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing borrowings in the current period.

35. COMMITMENTS AND CONTINGENCIES

a) Capital commitments

The Group has capital commitments at 31 December 2020 amounting to BD 53.7 million (2019: BD 17.7 million).

b) Guarantees

(i) As at 31 December 2020, the Group's banks have issued guarantees, amounting to BD 12.5 million (2019: BD 15.0 million) and letters of credit amounting to BD 5.3 million (2019: 10.0 million).

(ii) The Company has furnished a comfort letter for BD 1.9 million (2019: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

c) Staff housing loans

The Company offers loan assistance 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% (2019: 75%) of the loan interest. At 31 December 2020, the Company has an outstanding guarantee of BD 0.3 million (2019: BD 0.3 million) towards housing loans to staff.

36. 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:

	2020	2019
Entity	**Dhiraagu**	Dhiraagu
NCI Share	**48%**	48 %
Non-current assets (excluding goodwill)	77,336	81,250
Current assets	42,410	30,182
Non-current liabilities	(11,920)	(12,329)
Current liabilities	(30,665)	(18,307)
Net assets	**77,161**	80,796
Carrying amount of NCI	37,037	38,782
Revenue	60,711	69,900
Profit & total comprehensive income	**14,815**	21,435
Profit allocated to NCI	7,111	10,289
Cash flows from operating activities	28,805	30,225
Cash used in investing activities	(5,861)	(5,881)
Cash used in financing activities, before dividends to NCI	(4,305)	(11,677)
Cash used in financing activities - cash dividends to NCI	(6,664)	(8,999)
Net increase in cash and cash equivalents	**11,975**	3,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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37. TRANSACTIONS WITH RELATED PARTIES

(i) The Company qualifies as a government related entity under the definitions provided in the 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 individually significant in terms of size.

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

The key management personnel compensation is as follows:

	2020	2019
Short-term employee benefits	1,568	1,999
Post-employment benefits	18	42
Total key management personnel compensation	1,586	2,041

	2020	2019
Post-employment benefits outstanding	167	124
Directors remuneration (including sitting fees)	542	557

Transactions with related parties where independent directors have an interest have been disclosed in Corporate governance report.

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

	2020	2019
Total number of shares held by Directors	3,710	96,360
As a percentage of the total number of shares issued	0.00%	0.01%

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

	2020	2019
Total number of shares held by executive management	-	219,450
As a percentage of the total number of shares issued	-	0.01%

38. COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit, comprehensive income for the year or total equity. Comparatives in the comprehensive income include figures related to the Group's shareholding in QualityNet General Trading and Contracting Company WLL ("QualityNet"), which was sold to Kuwait Telecommunications Company ("VIVA") on 6th May 2019 resulting in the Group losing control over the Kuwait subsidiary from that date.

39. SIGNIFICANT EVENT - COVID-19

During 2020, an outbreak of the novel Coronavirus (COVID-19) rapidly evolved across the world. As a result, governments and authorities, including the Government of the Kingdom of Bahrain, have implemented several measures to contain the spread of the virus such as suspension of flights from/to various countries, other travel restrictions and quarantine and have also announced various support measures to counter adverse economic implications. These measures and policies have caused significant disruption in the operation of many companies around the globe. COVID-19 has also brought about significant uncertainties in the global economic environment. The Group operates in a sector which has not been heavily affected by the virus.

The Board of Directors has considered the potential impacts of the current economic downturn and uncertainty involved in the determination of the reported amounts of the Group's financial and non-financial assets and liabilities in these financial statements, and they are considered to represent management's best assessment based on available and observable information. Based on this assessment, no material impact on the Group's financial statements has been noted to date.

The Government of the Kingdom of Bahrain has provided a total subsidy to the Company of BD 3.6 million comprising BD 3.4 million towards Bahraini staff costs and BD 0.2 million towards utilities, to lessen the impact of the virus. These amounts have been adjusted against the respective line items in the income statement for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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40. SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, Sure Group and Others. Others include Yemen and other group operations. Segment information disclosed for the year ended is as follows:

	Year ended 31 December 2020							Year ended 31 December 2019						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	Sure Group	Others	Inter-segment elimination	Total
Revenue (external customers)	181,412	90,316	60,711	54,864	-	-	387,303	178,688	89,595	69,900	53,731	9,552	-	401,466
Inter segment revenues	89	421	-	-	-	(510)	-	128	441	-	-	1,859	(2,428)	-
Depreciation, amortization and tangible assets impairment	(24,526)	(23,794)	(13,091)	(12,161)	-	-	(73,572)	(21,967)	(22,387)	(10,472)	(10,840)	(555)	-	(66,221)
Finance income	5,616	20	213	53	1	(516)	5,387	7,934	4	122	102	27	(556)	7,633
Finance expenses	(7,015)	(7,178)	(1,005)	(302)	-	532	(14,968)	(9,015)	(5,623)	(953)	(286)	(78)	530	(15,425)
Other (expense)/ income (net)	(560)	450	25	(4)	(4)	(1,815)	(1,908)	2,055	144	47	(82)	139	(2,430)	(127)
Gain on sale of investment in Subsidiary	-	-	-	-	-	-	-	28,421	-	-	-	-	-	28,421
Impairment of investment in associate	-	-	-	-	-	-	-	-	-	-	-	(25,381)	-	(25,381)
Share of loss from equity accounted investees (net)	-	(661)	-	-	(168)	-	(829)	(94)	(260)	-	-	(2,479)	-	(2,833)
Income tax expense	-	(1,387)	(2,723)	(839)	-	-	(4,949)	-	(752)	(3,996)	(941)	(8)	-	(5,697)
Profit for the year	**41,552**	**1,750**	**14,815**	**5,773**	**(17)**	**(28)**	**63,845**	60,098	1,560	21,435	6,327	(27,307)	(70)	62,043

	As at 31 December 2020							As at 31 December 2019						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	Total
Non-current assets	196,439	266,305	99,207	90,803	9,915	(18,451)	644,218	185,961	267,661	103,121	99,543	6,997	(18,114)	645,169
Current assets	250,943	35,980	42,410	29,183	174	(10,752)	347,938	276,987	25,692	30,182	35,288	192	(20,637)	347,704
Total assets	**447,382**	**302,285**	**141,617**	**119,986**	**10,089**	**(29,203)**	992,156	462,948	293,353	133,303	134,831	7,189	(38,751)	992,873
Current liabilities	96,248	80,174	30,665	14,178	75	(15,136)	206,204	295,507	84,154	18,307	13,352	73	(37,404)	373,989
Non-current liabilities	178,677	87,183	11,920	16,455	-	(20,365)	273,870	8,741	76,772	12,329	16,905	-	(9,237)	105,510
Total liabilities	**274,925**	**167,357**	**42,585**	**30,633**	**75**	**(35,501)**	**480,074**	304,248	160,926	30,636	30,257	73	(46,641)	479,499

41. LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY IN BAHRAIN

Description	**Usage**	**Owned/Rented**
Hamala Headquarter	Offices	Owned
Diplomat Building	Offices & Telecoms	Owned
Salmaniya complex	Offices & Telecoms	Owned
Batelco Commercial Centre	Offices & Exchanges	Owned
Earth Station	Satellite Station	Owned
Abul Land Car Park	Car Park	Owned
Sales Site (in BCC)	Customer Service Centre & Offices	Owned
15 Sales Site	Customer Service Centre	Rented
70 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
393 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites.	GSM & fixed telephone network	Rented

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Supplementary Information – Not audited

SUPPLEMENTARY DISCLOSURES RELATED TO THE IMPACT OF COVID-19 *(not audited)*

On 11 March 2020, the Coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. This includes disruption to capital markets, deteriorating credit markets and liquidity concerns. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance. Based on above, the management is of the view that the Company will continue as a going concern entity for the next 12 months from the date of these condensed interim financial statements.

The pandemic has had some financial impact to the Group with relation to specific revenue streams and expense items. Key impact on the results of the Group are as follows:

- reduction in sale of mobile handsets by BD 2.9M year on year;
- reduction in roaming revenue by BD 11.0M year on year; and
- subsidy by Government of the Kingdom of Bahrain amounting BD 3.4M towards staff costs and BD 0.2M towards utilities, which amounts have been adjusted against the respective line items in the income statement for the period.

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14 July 2020. This information should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.