

**Bahrain Telecommunications
Company BSC**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

30 September 2019

Bahrain Telecommunications Company BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the nine months ended 30 September 2019**

Nine months ended 30 September		2019	2018	Variation %
Gross revenue	BD million	298.5	301.5	(1%)
Expenses	BD million	243.0	241.0	(0.8%)
Profit attributable to Batelco shareholders	BD million	44.2	46.0	(3.9%)
Return on net worth (Annualised)	%	12.6	10.8*	16.3%
Weighted average number of shares outstanding during the period	million	1,657	1,663	(0.4%)
Basic and diluted earnings per share for the period	Fils	26.7	27.8	(3.9%)

*Based on actual profit for the year ended 31 December 2018 and not 2018 interim results.

Independent auditors' report on review of the condensed consolidated interim financial statements

The Board of Directors
Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

5 November 2019

Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of Bahrain Telecommunications Company BSC (the "Company") and its subsidiaries (together "the Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2019;
- the condensed consolidated statement of profit or loss and other comprehensive income for the nine month periods ended 30 September 2019;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2019; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

BD'000

	Note	30 September 2019 (reviewed)	31 December 2018 (audited)*
ASSETS			
Non-current assets			
Property and equipment		266,981	257,310
Right-of-use assets	3	39,319	-
Goodwill		134,774	135,367
Other intangible assets		150,807	118,594
Investment in associates	12	7,094	27,860
Deferred tax assets		10,309	9,639
Post-employment benefit assets		4,602	4,749
Other investments		19,163	45,257
Total non-current assets		633,049	598,776
Current assets			
Inventories		7,259	6,659
Trade and other receivables		139,810	124,525
Other investments		27,105	12,839
Cash and bank balances	4	157,246	142,763
Asset held-for-sale		-	26,814
Total current assets		331,420	313,600
Total assets		964,469	912,376
LIABILITIES			
Non-current liabilities			
Trade and other payables		19,342	4,171
Lease liabilities		31,555	-
Loans and borrowings	6	39,451	211,902
Deferred tax liabilities		9,586	10,302
Total non-current liabilities		99,934	226,375
Current liabilities			
Trade and other payables		164,105	136,612
Lease liabilities		6,284	-
Loans and borrowings	6	197,853	24,878
Liabilities directly associated with asset held-for-sale		-	19,631
Total current liabilities		368,242	181,121
Total liabilities		468,176	407,496
Net assets		496,293	504,880
EQUITY			
Share capital		166,320	166,320
Reserves		73,158	74,740
Treasury shares		(2,112)	-
Retained earnings		221,859	224,188
Total equity attributable to equity holders of the Company		459,225	465,248
Non-controlling interest		37,068	38,914
Non-controlling interest associated with asset held-for-sale		-	718
Total non-controlling interest		37,068	39,632
Total equity		496,293	504,880

* September 2019 results reflect the adoption of IFRS 16. Prior periods have not been restated. Refer note 2(c) for further details
The condensed consolidated interim financial statements which consist of pages 3 to 18 were approved by the Board of Directors on 5 November 2019 and signed on its behalf by

Abdulla bin Khalifa Al Khalifa
Chairman

Ahmed Ateyatalla AlHujairy
Chairman Audit Committee

Mikkel Vinter
Chief Executive Officer

The accompanying notes 1 to 17 are integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2019

BD'000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2019 (reviewed)	2018 (reviewed)*	2019 (reviewed)	2018 (reviewed)*
REVENUE	7	298,538	301,496	96,870	101,453
EXPENSES					
Network operating expenses		(110,312)	(118,744)	(34,993)	(39,993)
Staff costs		(41,717)	(41,406)	(12,818)	(13,916)
Voluntary employee retirement program cost	13	(10,083)	-	(8,117)	-
Depreciation and amortisation		(50,356)	(48,754)	(16,937)	(16,251)
Impairment loss on trade receivables and contract assets		(3,636)	(3,738)	(1,230)	(1,575)
Other operating expenses		(26,853)	(28,371)	(8,131)	(9,715)
Total expenses		(242,957)	(241,013)	(82,226)	(81,450)
Results from operating activities		55,581	60,483	14,644	20,003
Finance income		5,775	4,318	1,973	1,528
Finance expenses		(11,734)	(9,863)	(4,068)	(3,285)
Other income (net)		325	3,417	120	3,183
Gain on sale of investment in subsidiary	11	28,421	-	1,184	-
Impairment of investment in associate	12	(20,305)	-	-	-
Share of loss from associate (net)		(2,479)	(2,040)	-	(540)
Profit before taxation		55,584	56,315	13,853	20,889
Income tax expense		(4,149)	(2,701)	(1,397)	(1,218)
Profit for the period		51,435	53,614	12,456	19,671
Total other comprehensive income :					
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences – foreign operations		(2,596)	(3,362)	(2,255)	(1,279)
Investment fair value changes (debt securities)		876	(757)	119	371
		(1,720)	(4,119)	(2,136)	(908)
Items that will never be reclassified to profit or loss:					
Investment fair value changes (equity securities)		-	(3,151)	-	-
		-	(3,151)	-	-
Other comprehensive income, net of tax		(1,720)	(7,270)	(2,136)	(908)
Total comprehensive income for the period		49,715	46,344	10,320	18,763
Profit for the period attributable to:					
Equity holders of the Company		44,232	46,034	10,234	17,258
Non-controlling interest		7,203	7,580	2,222	2,413
		51,435	53,614	12,456	19,671
Total comprehensive income for the period attributable to:					
Equity holders of the Company		42,509	38,768	8,098	16,353
Non-controlling interest		7,206	7,576	2,222	2,410
		49,715	46,344	10,320	18,763
Basic and diluted earnings per share (Fils)	8	26.7	27.8	6.2	10.4

* September 2019 results reflect the adoption of IFRS 16. Prior periods have not been restated. Refer note 2(c) for further details

The condensed consolidated interim financial statements which consist of pages 3 to 18 were approved by the Board of Directors on 5 November 2019 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa
Chairman

Ahmed Ateyatalla AlHujairy
Chairman Audit Committee

Mikkel Vinter
Chief Executive Officer

The accompanying notes 1 to 17 are integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2019

BD'000

	Note	Nine months ended	
		30 September	
		2019 (reviewed)	2018* (reviewed)
OPERATING ACTIVITIES			
Profit for the period		51,435	53,614
Adjustment for:			
Non-operating items, including tax		4,146	6,869
Depreciation and amortisation		50,356	48,754
Impairment loss on trade receivables and contract assets		3,636	3,738
		109,573	112,975
Working capital changes:			
Increase in trade and other receivables		(12,543)	(18,557)
(Increase) / decrease in inventories		(712)	1,036
Increase / (decrease) in trade and other payables		9,641	(10,452)
Cash generated from operating activities		105,959	85,002
Taxes paid		(6,453)	(5,584)
Payment to charities		(611)	(1,950)
Net cash from operating activities		98,895	77,468
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(58,131)	(34,593)
Proceed from disposal of investment in subsidiary	11	17,687	-
Net cash for purchase of other investments and deposits		(35,356)	(22,664)
Interest and investment income received		5,562	6,292
Net cash used in investing activities		(70,238)	(50,965)
FINANCING ACTIVITIES			
Dividend paid		(54,943)	(52,506)
Payment of lease liabilities		(7,246)	-
Interest paid		(6,968)	(7,010)
Borrowings (net)		223	139
Treasury shares acquired		(2,112)	-
Net cash used in financing activities		(71,046)	(59,377)
Decrease in cash and cash equivalents during the period		(42,389)	(32,874)
Cash and cash equivalents at 1 January		96,357	96,323
Cash and cash equivalents at 30 September	4	53,968	63,449

* September 2019 results reflect the adoption of IFRS 16. Prior periods have not been restated. Refer note 2(c) for further details

The accompanying notes 1 to 17 are integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019

BD'000

2019	Equity attributable to equity holders of the Company									Non - controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post- employem t benefit actuarial reserve	Treasury shares	Retained earnings	Total		
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 period	-	-	-	-	-	-	-	44,232	44,232	7,203	51,435
Other comprehensive income											
Foreign currency translation differences	-	-	-	(2,598)	-	-	-	(1)	(2,599)	3	(2,596)
Investment fair value changes	-	-	-	-	876	-	-	-	876	-	876
Total other comprehensive income	-	-	-	(2,598)	876	-	-	(1)	(1,723)	3	(1,720)
Total comprehensive income for the period	-	-	-	(2,598)	876	-	-	44,231	42,509	7,206	49,715
Contributions and distributions											
Final dividends declared for 2018	-	-	-	-	-	-	-	(28,983)	(28,983)	-	(28,983)
Interim dividend declared for 2019	-	-	-	-	-	-	-	(16,554)	(16,554)	-	(16,554)
Donations approved for 2018	-	-	-	-	-	-	-	(1,253)	(1,253)	-	(1,253)
Treasury shares acquired	-	-	-	-	-	-	(2,112)	-	(2,112)	-	(2,112)
Transfer to statutory reserve	-	336	-	-	-	-	-	(336)	-	-	-
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	-	(230)	-	370	-	-	(2,112)	(46,560)	(48,532)	(9,770)	(58,302)
At 30 September 2019	166,320	82,930	44,000	(20,482)	(28,962)	(4,328)	(2,112)	221,859	459,225	37,068	496,293

The accompanying notes 1 to 17 are integral part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2019 (Continued)

BD'000

2018	Equity attributable to equity holders of the Company							Total	Non - controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post- employment benefit actuarial reserve	Retained earnings			
At 1 January 2018 (Previously reported)	166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	211,212	461,883	40,584	502,467
Impact of first time adoption of IFRS 15 – note2 (c)	-	-	-	-	-	-	1,479	1,479	111	1,590
Balance at 1 January 2018 as restated	166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	212,691	463,362	40,695	504,057
Profit for the period	-	-	-	-	-	-	46,034	46,034	7,580	53,614
Other comprehensive income										
Foreign currency translation differences	-	-	-	(3,357)	-	-	(1)	(3,358)	(4)	(3,362)
Investment fair value changes	-	-	-	-	(3,908)	-	-	(3,908)	-	(3,908)
Total other comprehensive income	-	-	-	(3,357)	(3,908)	-	(1)	(7,266)	(4)	(7,270)
Total comprehensive income for the period	-	-	-	(3,357)	(3,908)	-	46,033	38,768	7,576	46,344
Contributions and distributions										
Final dividends declared for 2017	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations approved for 2017	-	-	-	-	-	-	(87)	(87)	-	(87)
Transfer from statutory reserve	-	(3,630)	-	15	-	-	3,765	150	(150)	-
Transfer from general reserve	-	-	(1,890)	3	-	-	1,966	79	(79)	-
Interim dividends declared for 2018	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(10,938)	(10,938)
Total contributions and distributions	-	(3,630)	(1,890)	18	-	-	(35,936)	(41,438)	(11,167)	(52,605)
At 30 September 2018	166,320	80,486	44,000	(16,562)	(30,675)	(5,665)	222,788	460,692	37,104	497,796

The accompanying notes 1 to 17 are integral part of the condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019**

BD'000

1 REPORTING ENTITY

Bahrain Telecommunication Company BSC (the "Company") is a Bahraini incorporated company listed on the Bahrain Bourse. The condensed consolidated interim financial statements as at and for the nine months period ended 30 September 2019 comprise the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively "the Group") and the Group's interests in an associate entity. The Group is principally engaged in the provision of public telecommunications and associated products and services.

2 BASIS OF PREPARATION**(a) Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – 'Interim Financial Reporting'. These do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

(b) Significant accounting policies

The accounting policies and risk management framework applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the last audited consolidated financial statements as at and for the year ended 31 December 2018, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning on or after 1 January 2019. The impact of adoption of these new standards / amendments (except IFRS 16, see note c below) did not have a significant impact on the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements are reviewed, not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2018 and comparatives for the condensed consolidated statements of comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial statements for the nine months period ended 30 September 2018.

(c) IFRS 16 Leases

IFRS 16 Leases introduces a single, on-balance lease sheet accounting model for lessees. It replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019.

The Group has adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019

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2 *BASIS OF PREPARATION (continued)*

(c) *IFRS 16 Leases (continued)*

On transition to IFRS 16, the Group recognised an additional BD 42,758 of right-of-use asset (note 3) and BD 42,236 of lease liabilities, with related difference credited to lease related prepayments.

Amount disclosed as operating lease commitments at 31 December 2018	43,743
Less: Commitments related to held-for-sale asset	(1,560)
: Low value leases	(288)
Impact of discounting	(8,134)
Extension and termination options reasonably certain to be exercised	7,488
Variable lease payments based on an index	987
Lease liabilities recognised on 1 January 2019	42,236

The Group applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

i) Definition of a lease

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

ii) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

- *Leases classified as operating leases under IAS 17*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019

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2. *BASIS OF PREPARATION (continued)*
(c) *IFRS 16 Leases (continued)*

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(d) Seasonability

Due to the effect of seasonal variations, the results reported in the condensed consolidated interim financial statements may not represent a proportionate share of the overall annual result.

(e) Judgements and estimates

In preparing these condensed consolidated interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

3 RIGHT-OF-USE ASSETS

	Land and buildings	Network assets and Telecom Equipment	Motor vehicles, Furnitures, fittings & office equipment	Total
Balance at 1 January 2019	23,804	17,359	1,595	42,758
Additions	835	1,869	-	2,704
Depreciation charge for the period	(2,871)	(2,510)	(433)	(5,814)
Effect of movements in exchange rates	(339)	10	-	(329)
Balance at 30 September 2019	21,429	16,728	1,162	39,319

4 CASH AND BANK BALANCES

Cash and bank balances include BD 103,278 (Sep 2018: BD 87,762) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded from cash and cash equivalent in the condensed consolidated statement of cash flows.

5 LEASE LIABILITIES

Maturity analysis – contractual undiscounted cash flow

Less than one year

One to five years

More than five years

Total undiscounted lease liabilities at 30 September

2019 (reviewed)
7,373
20,407
15,943
43,723

During the period, an amount of BD 1,798 (including BD 78 related to subsidiary disposed-off during the period) was recognised as interest on lease liabilities in condensed consolidated statement of comprehensive income.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019**

BD'000

6 LOANS AND BORROWINGS

- (i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 36.5 million outstanding as of 30 September 2019) 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 30 September 2019, BD 9.7 million 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 12.8 million (of which BD 12.7 million outstanding as of 30 September 2019) which has been utilised 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 30 September 2019, none of the outstanding amount was classified under current liabilities;
- (iii) Long term loan facility with a total available amount of BD 8.0 million (nothing withdrawn as of 30 September 2019) 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;
- (iv) Long term loan facility with a total available amount of BD 8.0 million (nothing withdrawn as of 30 September 2019) 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;
- (v) A Group company has obtained over draft facilities to support its working capital needs. The interest rates on these facilities range from 6.25% to 6.60% p.a. and the amount drawn at the balance sheet date amounted to BD 10.0 million (2018: BD 15.1 million). The undrawn overdraft limits as at 30 September 2019 amounted to BD 5.1 million (2018: BD nil); and
- (vi) 7 years' bonds maturing in May 2020 with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019

BD'000

7 REVENUE**A. Disaggregation of revenue****Revenue by major products**

	Nine months ended 30 September		Three months ended 30 September	
	2019 (reviewed)	2018 (reviewed)	2019 (reviewed)	2018 (reviewed)
Mobile telecommunication services	145,707	149,004	48,343	50,176
Data communication circuits	56,899	54,079	16,699	18,535
Fixed broadband	46,270	44,882	15,099	15,169
Fixed line telecommunication services	17,781	18,905	5,628	5,977
Wholesale services	13,206	13,638	4,894	5,116
Others	18,675	20,988	6,207	6,480
	298,538	301,496	96,870	101,453

Revenue by timing of recognition

	Nine months ended 30 September		Three months ended 30 September	
	2019 (reviewed)	2018 (reviewed)	2019 (reviewed)	2018 (reviewed)
Products transferred at a point in time (Equipment revenue)	24,039	27,508	7,361	8,590
Products and services transferred over time (Revenue from provision of services)	274,499	273,988	89,509	92,863
	298,538	301,496	96,870	101,453

For a further break down of total revenue by the Group's key geographical segments, please refer to note 17.

B. Contract balances

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

	30 September 2019 (reviewed)	31 December 2018 (audited)
Receivables and contract assets <i>(included in Trade and other receivables)</i>	85,302	75,799
Contract liabilities <i>(included in Trade and other payables)</i>	18,581	16,094

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the nine months ended 30 September 2019

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8 EARNINGS PER SHARE

	Nine months ended 30 September		Three months ended 30 September	
	2019 (reviewed)	2018 (reviewed)	2019 (reviewed)	2018 (reviewed)
Profit for the period attributable to equity holders of the Company	44,232	46,034	10,234	17,258
Weighted average number of shares outstanding during the period (million)	1,657	1,663	1,657	1,663
Basic earnings per share (Fils)	26.7	27.8	6.2	10.4

9 SIGNIFICANT COMMITMENTS AND CONTINGENCIES**a) Commitments**

The Group has capital commitments at 30 September 2019 amounting to BD 26.5 million (Dec 2018: BD 31.6 million).

b) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD Nil million (Dec 2018: 1.5 million).

c) Guarantees

- (i) As at 30 September 2019, the Group's banks have issued guarantees, amounting to BD 14.9 million (Dec 2018: BD 12.3 million) and letters of credit amounting to BD 15.0 million (Dec 2018: BD 14.6 million).
- (ii) The Company has furnished guarantees amounting to BD 1.7 million (Dec 2018: BD 2.2 million) to a bank for extending credit facilities to an investee company in the Kingdom of Saudi Arabia.
- (iii) The Group has furnished a comfort letter for BD 1.9 million (Dec 2018: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

10 FAIR VALUE

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

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

Fair value hierarchy

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

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10. FAIR VALUE (continued)

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

The table below analyses financial instruments measured as at 30 September 2019, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Fair value			Total fair value	Total Carrying amount
	Level 1	Level 2	Level 3		
30 September 2019					
Financial assets at fair value through profit and loss (FVTPL)					
Other investments – equity securities			104	104	104
Financial assets at fair value through OCI (FVOCI)					
Other investments – debt and equity securities	38,167	-	1,001	39,168	39,168
Financial liabilities not measured at fair value					
Loans and borrowings	176,071	-	59,219	235,290	237,304
31 December 2018					
Financial assets at fair value through profit and loss (FVTPL)					
Other investments – equity securities			103	103	103
Financial assets at fair value through OCI (FVOCI)					
Other investments – debt and equity securities	37,773	-	13,223	50,996	50,996
Financial liabilities not measured at fair value					
Loans and borrowings	174,734	-	58,963	233,697	236,780

There were no transfers between any of the categories during the period. 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.

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11 GAIN OF SALE OF INVESTMENT IN SUBSIDIARY

On 6 May 2019, the Group sold its 90% shareholding in QualityNet General Trading and Contracting Company WLL ("QualityNet") to Kuwait Telecommunications Company ("VIVA") resulting in the Group losing control over the Kuwait subsidiary.

As a consequence, the individual assets and liabilities of the subsidiary were derecognised from the consolidated financial statements. The total assets and liabilities deconsolidated on losing control over QualityNet is as given below:

Property and equipment	1,676
Intangible assets	618
Right of use assets	1,482
Inventories	273
Trade and other receivables	7,988
Bank and cash balances	13,145
Total assets	25,182
Liabilities	
Trade and other payables	20,064
Lease liabilities	1,514
Total liabilities	21,578
Net assets	3,604
Non-controlling interest – derecognized	(360)
Foreign currency translation reserve – derecognized	370

The consolidated financial statements for the year ended 31 December 2018 included net assets of BD 7,183 and total comprehensive income for the full year of BD 3,090 relating to QualityNet.

The net income and cashflows from QualityNet from 1 January 2019 to the derecognition date on 6 May 2019 presented in the condensed consolidated interim financial statements are given below:

Comprehensive income	
Revenue (External customers)	9,546
Inter-segment revenue	1,862
Total revenue	11,408
Expenses	(10,817)
Results from operating activities	591
Non-operating items	(52)
Profit for the period	539
Other comprehensive income	27
Total comprehensive income	566
Cash Flows	
Net cash from operating activities	7,353
Net cash used in investing activities	(396)

QualityNet results and net assets were disclosed under "Others" in the segment information in Note 17

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11 *GAIN ON SALE OF INVESTMENT IN SUBSIDIARY (continued)*

Gross consideration	32,035
Less: Additional consideration receivable*	(1,203)
Less: Cash and cash equivalents of the subsidiary as at date of de-recognition	(13,145)
Net cash flows on derecognition of subsidiary	17,687

*This represents adjustment for net working capital as agreed between Batelco and Viva subsequent to finalization of closing accounts of QualityNet at 6th May 2019.

12 IMPAIRMENT OF INVESTMENT IN ASSOCIATE

The Group has a 26.9% interest in Yemen Company for Mobile Telephony Y.S.C ("Sabafon"). The principal activities of the Company are to develop, install and operate GSM cellular telephone network and to sell cellular telephone services and accessories in Yemen.

Due to current situation in Yemen and other ongoing operating challenges including currency decline, the Company has decided to partially impair the carrying value of its investment in Sabafon. Consequently, an impairment loss of BD 20,305 has been recognized in the condensed consolidated statement of comprehensive income for the period. The Company remains operational with positive cash flows and the management are continuously reassessing the Group's carrying value based on the changing situations on the ground.

13 VOLUNTARY EMPLOYEE RETIREMENT PROGRAM COST

During the period, the Board of Directors approved a voluntary employee retirement program to restructure the operations in line with its strategy. In accordance with the provisions of IAS 37 – Provisions, Contingent Liabilities and Contingent assets, the Group has recognised provision of BD 10.1 million for expected costs of this program, of which BD 6.9 million has been utilised during the period and BD 3.2 million has been carried forward as at 30 September 2019. The program is expected to be completed within 2019.

14 RELATED PARTIES

a) Transactions with related parties

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

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14 *RELATED PARTIES (continued)*

b) Transactions with key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. During the period, the Group paid the following compensation to the key management personnel.

	Nine months ended 30 September	
	2019 (reviewed)	2018 (reviewed)
Short-term employee benefits	1,604	1,558
Post-employment benefits	452	291
Total key management personnel compensation	2,056	1,849
Directors remuneration (including sitting fees)	448	449

15 APPROPRIATIONS

The shareholders of the Company in their meeting held on 27 March 2019 approved a cash dividend of BD 45.7 million and donations of BD 1.3 million in respect of 2018, which were effected during the quarter.

In addition, the board of directors in its meeting held on 25 July 2019, approved an interim dividend of BD 16.6 million (10 fils per share).

16 COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping did not affect the previously reported profit, comprehensive income for the period or total equity. Due to the sale of Kuwait subsidiary (refer Note 11), the components of operational results such as revenue, operating costs and net profits are not fully comparable to amounts reported in the prior periods.

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17 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 nine months ended 30 September 2019 is as follows:

	For the nine months ended September 2019 (reviewed)							For the nine months period ended 30 September 2018 (reviewed)						
	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	Total	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	Total
Segment revenue and profit														
Revenue (external customers)	131,482	66,565	51,461	39,480	9,550	-	298,538	124,042	69,949	50,310	41,533	15,662	-	301,496
Inter-segment revenues	105	334	-	-	1,860	(2,299)	-	215	257	-	-	4,577	(5,049)	-
Profit/(loss)	52,854	1,645	14,765	4,443	(22,225)	(47)	51,435	35,492	(870)	15,336	3,187	492	(23)	53,614
	As at 30 September 2019 (reviewed)							As at 31 December 2018 (Audited)						
Segment assets & liabilities														
Non-current assets	178,050	266,481	101,129	94,317	12,073	(19,001)	633,049	173,738	219,795	99,855	88,385	34,857	(17,854)	598,776
Current assets	272,416	24,807	23,175	31,102	200	(20,280)	331,420	229,727	26,300	24,119	29,648	26,959	(23,153)	313,600
Total assets	450,466	291,288	124,304	125,419	12,273	(39,281)	964,469	403,465	246,095	123,974	118,033	61,816	(41,007)	912,376
Current liabilities	289,123	86,765	15,588	12,276	77	(35,587)	368,242	82,785	65,320	16,089	11,162	18,661	(12,896)	181,121
Non-current liabilities	10,217	71,872	12,719	15,254	-	(10,128)	99,934	181,682	50,131	7,904	6,571	-	(19,913)	226,375
Total liabilities	299,340	158,637	28,307	27,530	77	(45,715)	468,176	264,467	115,451	23,993	17,733	18,661	(32,809)	407,496