



# Transforming for a Successful Future

Annual Report 2017

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**His Royal Highness  
Prince Khalifa bin Salman  
Al Khalifa**

The Prime Minister of  
the Kingdom of Bahrain



**His Majesty  
King Hamad bin Isa  
Al Khalifa**

The King of the Kingdom  
of Bahrain



**His Royal Highness  
Prince Salman bin Hamad  
Al Khalifa**

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

## INTRODUCTION

# Transforming for a Successful Future

Batelco has grown and evolved over the years to keep abreast of the rapid evolution of telecommunication technologies and to address competitive pressures in its markets of operation. To remain viable Batelco has always been open to transformation in the knowledge that no progress is made without change.

Alongside growing in scale Batelco has continuously invested to grow in scope with the implementation of relevant infrastructure and technologies in Bahrain and across the Group.

Today, Batelco is once again in a process of transformation at home and overseas, with far-reaching new strategic plans to reshape the various operations towards a successful future.

Our digitisation journey is making great progress boosted by our focus on a digital future. In Bahrain, Batelco is a well-established leader and premier provider of digital services within the Kingdom and we are at the forefront of digital transformation efforts within the greater ecosystem of our operating companies. We aspire to transition ourselves into Digital Champions wherever we operate.

While we face challenges in some locations, overall our business is in great shape with strong fundamentals, a solid subscriber base and a local market that is outperforming. For 2018 we have a comprehensive transformation strategy in place that is ready to accelerate to the next level. We will continue to evolve our strategy to expand the business scope, scale and performance while delivering superior customer experience and ensuring profitability.

Our plans have been designed to shape the future of Batelco as a more agile, efficient, innovative and profitable Group with our goal being to create more value for all our stakeholders.



## VISION & MISSION



### Our vision

Batelco Group will be the leading integrator of digital solutions and services in its chosen markets.



### Our mission

We deliver innovation and value to our customers in each market, through competitive solutions and people excellence.

## CORPORATE VALUES



### Values

Everything we do is done with a focus on our six key values.

#### **Our People**

We are proud to be Batelco and keep empowering, appreciating and motivating others.

#### **Teamwork**

We support and trust each other, think win win and work towards our common vision.

#### **Customer Driven**

We respect and listen to our external and internal customers, serve with a smile, deliver on our promises and are responsive to customer requirements.

#### **Integrity**

We are professional, honest and transparent and keep our promises.

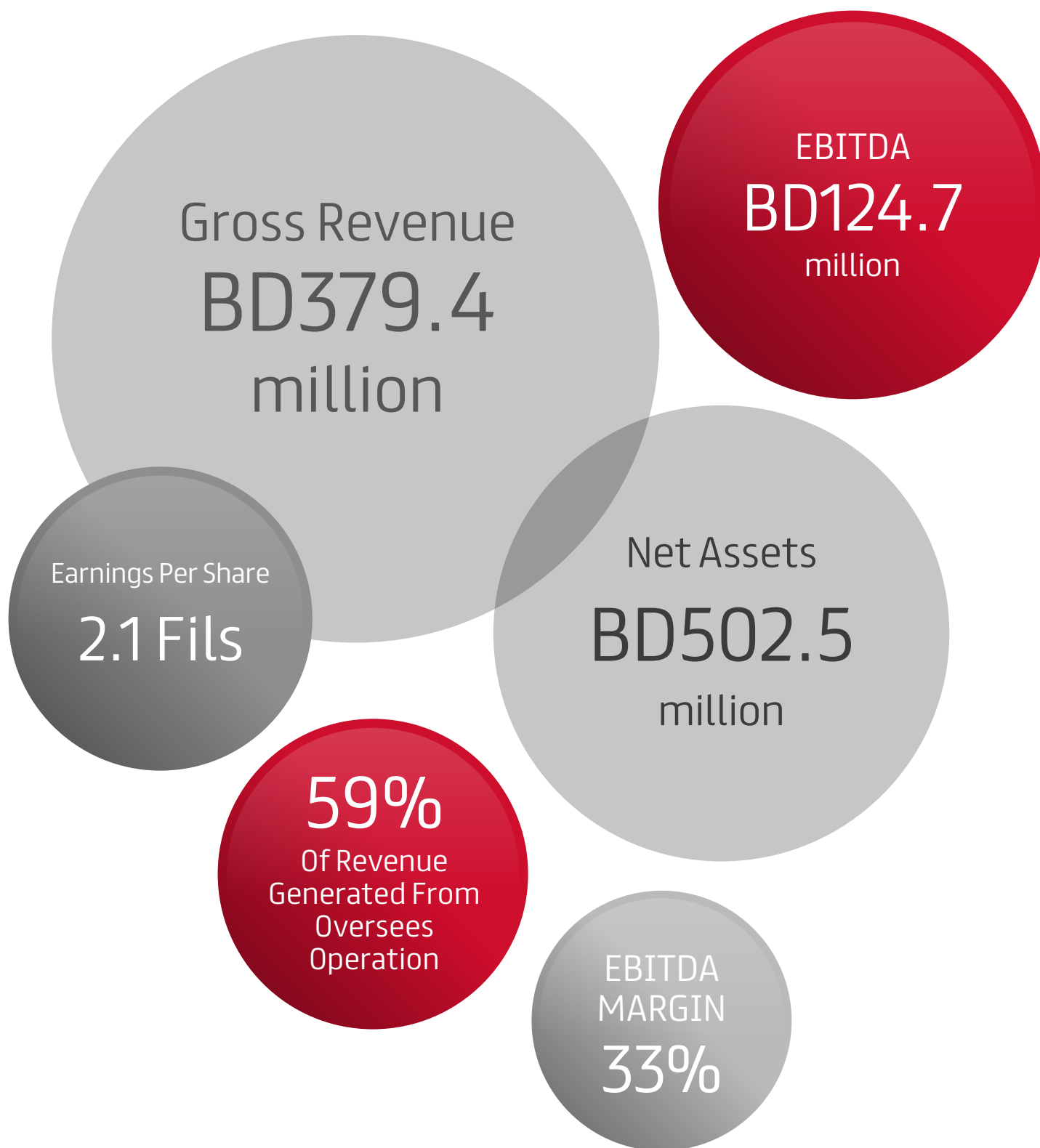
#### **Creativity**

We encourage new ideas, think outside the box, are open-minded and innovative.

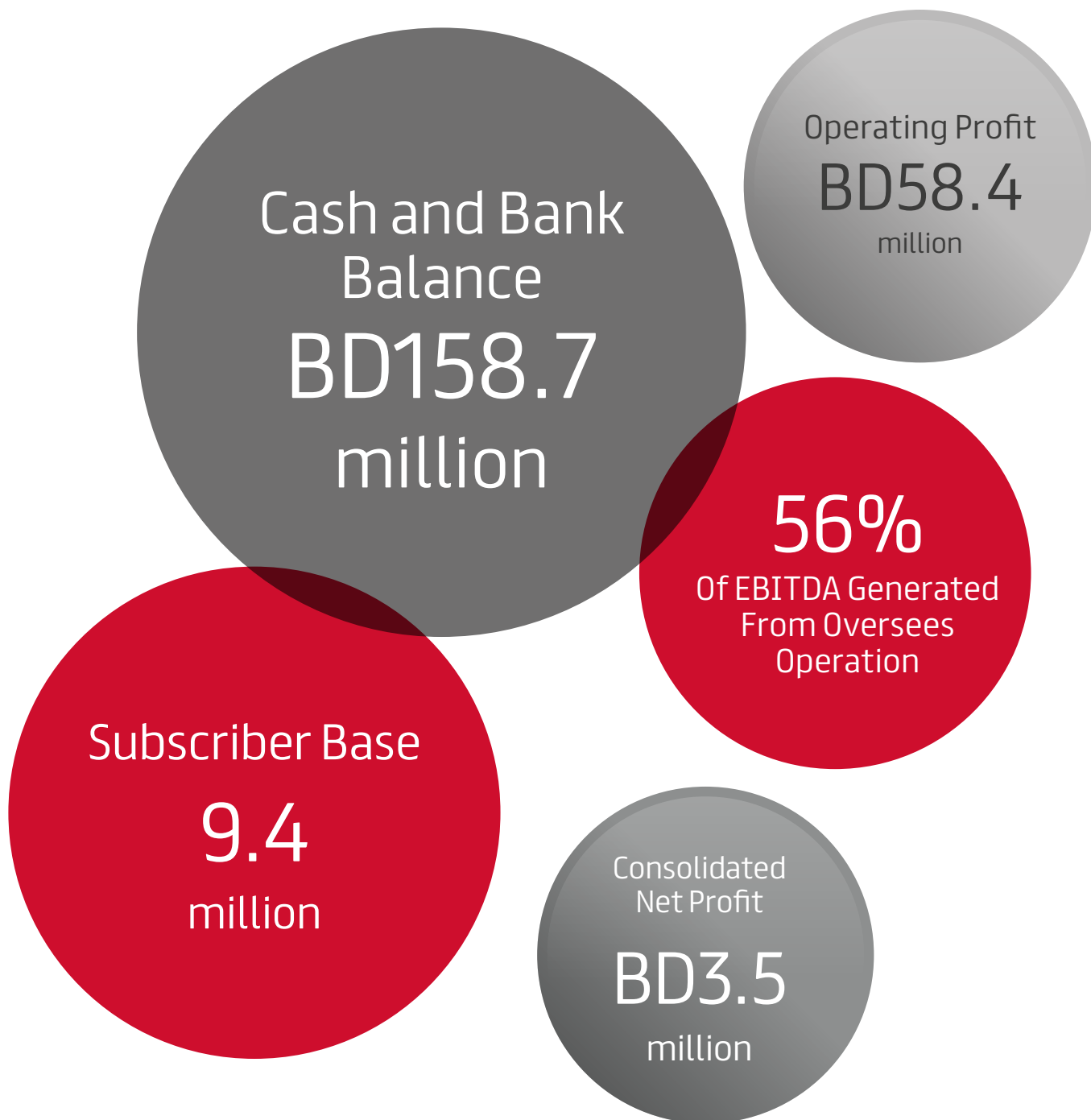
#### **Ownership for Performance**

We are accountable and learn from our mistakes, take ownership and meet deadlines.

## ANNUAL HIGHLIGHTS







## BOARD OF DIRECTORS



**Shaikh Mohamed bin  
Khalifa Al-Khalifa**  
Chairman



**Mr. Abdulrahman  
Yusuf Fakhro**  
Deputy Chairman



**Mr. Raed Abdulla  
Fakhri**  
Director



**Mrs. Khulood Rashid  
Al Qattan**  
Director



**Dr. Ahmed Ebrahim  
Al Balooshi**  
Director

Profiles of the Board of Directors are on pages 50-55 Corporate Governance.



**Mr. Arif Haider  
Rahimi**  
Director



**Mr. Ahmed Ateyatalla  
Al Hujairy**  
Director



**Mr. Oliver Finn  
McFall**  
Director



**Mr. Jean Christophe  
Durand**  
Director



**Rear Admiral Yousif  
Malallah AlSabt**  
Director

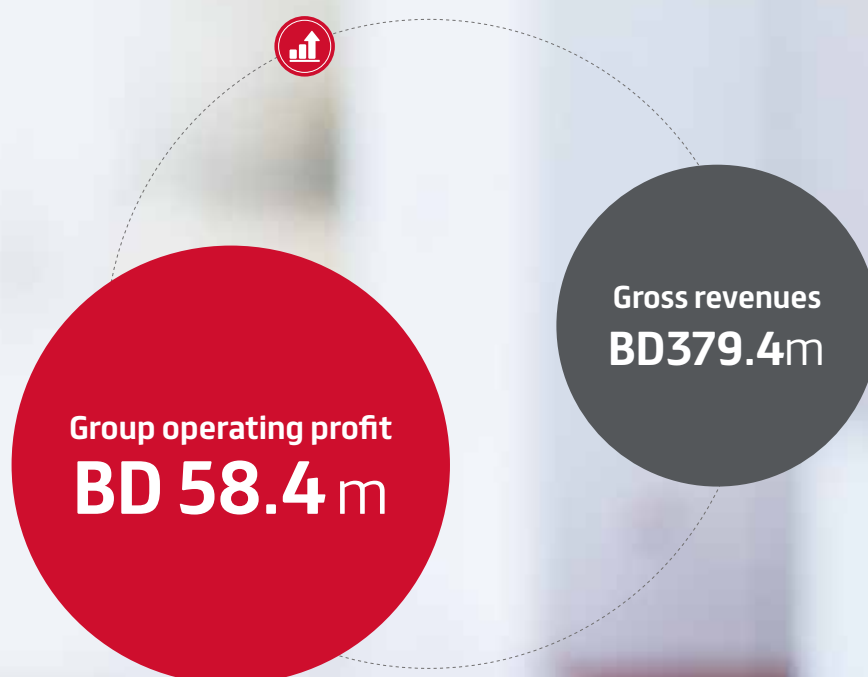
\* Mr. Abdul Razak Abdulla Al Qassim served as Deputy Chairman until March 29, 2017,  
\* Brigadier Khalid Mohammed Al Mannaei, served as Director until May 15, 2017

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# CHAIRMAN'S STATEMENT



We continue to progress well in order to execute our strategic plan. The business is in great shape, with strong fundamentals, a solid subscriber base and a local market that is outperforming.



## CHAIRMAN'S STATEMENT (CONTINUED)

# 3%



**BATELCO ANNOUNCED A 3% INCREASE IN GROSS REVENUES**



On behalf of the Board of Directors, it gives me great pleasure to present the 36th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31st December 2017.

Batelco announced a 3% increase in gross revenues, reaching BD379.4M (US\$1,006.4M) for the full year 2017, as compared to BD367.1M (US\$973.7M) in 2016. Organic gross revenue, which grew for the first time since 2009, was boosted by double-digit growth in broadband and digital services, reporting 16% and 13% growth respectively.

EBITDA for the year was BD124.7M (US\$330.8M), a decline of 8% YoY from BD135.2M (US\$358.6M) in 2016. The decline in EBITDA is mainly attributable to BD8.1M (US\$21.5M) voluntary employee retirement costs incurred in Batelco Bahrain. The Group continues to concentrate on its cost containment programmes and sustained a robust EBITDA margin of 33%.

The Group's operating profit for the year was BD58.4M (US\$154.9M), reflecting an 11% decrease YoY from BD65.4M (US\$173.5M) in



2016. However, excluding voluntary employee retirement costs operating profits are up 2% from the prior year.

The Group ended the year with net profit of BD3.5M (US\$9.3M) compared to BD37.6M (US\$99.7M) reported in 2016, a 91% year over year decline. The reduced net profits for the period are mainly impacted by impairment losses related to the Group's investments in Yemen and Jordan which were acquired in 2007 and 2006 respectively, and reflect the prudent and conservative strategy of the Group and the Board of Directors since 2013 and in line with IFRS requirements. The normalised net profit, excluding these impairments was more than BD40.0M (US\$106.1M).

Sabafon, in which the Group has a 26.94% shareholding and acquired in 2007, faced unique operating challenges as a result of the ongoing conflict in Yemen and currency decline. These factors have increased the economic impact on the company and as a result Batelco has impaired the carrying value of its investment by BD30.0M (US\$79.6M). However, Batelco continues to believe that Sabafon has solid business fundamentals. The business is still generating positive EBITDA and



the market, once it stabilizes, has significant growth potential.

In Jordan, high telecom taxes and increased electricity costs on telecom companies contributed to an impairment of goodwill of BD20.0M (US\$53.1M).

These impairments are isolated to our investments in Yemen and Jordan and represent a prudent decision in line with IFRS and are not reflective of the Group's financial health.

The Group's balance sheet and financial position remain resilient in spite of the difficult operating environment. As of 31 December 2017, net assets were BD502.5M (US\$1,332.9M) with substantial cash and bank balances of BD158.7M (US\$421.0M) and a Net Debt to EBITDA ratio of 0.64, considerably lower than the regional and international industry average. Earnings per share for the full year in 2017 stood at 2.1 fils, compared with 22.6 fils reported in 2016.

### **Proposed Appropriations**

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2017.



BD millions	2017	2016
Final cash dividends proposed	<b>24.95</b>	24.95
Interim cash dividends paid	<b>16.63</b>	16.63
Donations at %2.5	<b>0.09</b>	0.94
Transfer to statutory reserve	<b>Nil</b>	Nil

The Board of Directors has recommended a full year cash dividend of BD41.6M (US\$110.3M), at a value of 25 fils per share to be agreed at the Group's Annual General Meeting, of which 10 fils per share was already paid during the third quarter of 2017 with the remaining 15 fils to be paid following the AGM in March 2018. The dividend is consistent with previous years and is an example of Batelco's commitment to its shareholders.

We continue to progress well in order to execute our strategic plan. The business is in great shape, with strong fundamentals, a solid subscriber base and a local market that is outperforming. However, some of our international businesses continue to feel the impact of the political and economic instability across the region and we are providing them with all the support necessary to get them through this difficult period.

Looking ahead, we are planning to expand our business scope, scale and performance to enhance customer value as much as we can.

Overall, I am pleased to see that our hard work is paying off. We have maintained a robust cash position and we will pay our shareholders a dividend this year consistent with prior year payouts. I am highly optimistic for the future of Batelco Group as we continue into 2018. We have a sound strategy, an accomplished executive team and a pipeline of products and services to support us in our path forward. As we look ahead, our goal is to build on this recent success and continue to be a national champion for 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 2018.

#### Appreciation to Bahrain's Leadership

On behalf of Batelco Board of Directors and all members of Batelco teams, I extend appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Premier.

I extend appreciation to my colleagues on the Board for their dedication

and to Batelco's shareholders for their confidence in supporting our strategies. Additionally, I offer a big vote of thanks to management and staff throughout the Group for their efforts during 2017. We have a strong network of employees across all markets and their enthusiasm and commitment deserves much praise.

#### Guidance and Outlook for 2018

Looking ahead, we are planning to expand our business scope, scale and performance to enhance customer value as much as we can. Our core focus areas are digital services, fixed and mobile data, and multi-play offerings.

We are confident in our future guidance, and believe we have a solid strategy in place to help achieve our target revenue and net profit for the full year 2018.

#### Mohamed bin Khalifa Al Khalifa

Chairman of the Board  
February 22<sup>nd</sup> 2018

Batelco is committed to providing reliable and future-proof networks and services, enabling people to be connected at home, at work and on-the-go!

Our aim is to ensure that our customers have the capability to enjoy seamless connectivity to suit their lifestyles in an ever changing communications environment.



Future-proof  
networks



# Connectivity





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# GROUP CEO MESSAGE

Our plans have been designed to shape the future of Batelco as a more agile, efficient, innovative and profitable Group with our goal being to create more value for all our stakeholders.

Subscriber base  
**9.4 million**

EBITDA

**56%**

56% of EBITDA were sourced from overseas markets





## GROUP CEO MESSAGE (CONTINUED)

I am proud to say that we are at the forefront of digital transformation efforts within the greater ecosystem of our operating companies.



2017 saw Batelco Group perform well despite a challenging regional operating environment, as demonstrated through our strong financial performance and transformational programmes, which saw a 3% increase in revenues from the previous year. The growth from the past year was mainly driven by our operations in Bahrain, Jordan and the Maldives, and through our diversified revenue streams – primarily digital and broadband services.

While we reported a decline in net profit, this was primarily due to the prudent and conservative strategy of our management team to impair certain assets in Yemen and Jordan, and is not a reflection of the overall health of Batelco. We believe the Group is fundamentally in great shape and we expect net profits in the range of BD40 – 45M in 2018.

We are fortunate to have started our digital journey in a structured way during 2017 and we are increasingly committed towards a digital future as we transition ourselves into Digital Champions wherever we operate. In all our operating companies, we are quickly adapting to change and positioning our business model to capitalize on developments of an increasingly digitalized world.

2018 will be a critical year for Batelco Group as we progress in our transformation beyond being a traditional telecommunications company to one where digitalization is a priority and a way of doing business.



### Joint Venture Overview

Overall performance across the Group was supported by sustained customer numbers in the majority of the Group's operations. Subscriber numbers have remained constant at 9.4 million across our operations. At year-end 2017, 59% of revenues and 56% of EBITDA were sourced from overseas markets.

Batelco Group operates in some difficult environments in which the respective political issues and regulatory framework challenge us daily, specifically in Jordan and Yemen.

- Jordan (Umniah): While Umniah still tops Batelco's revenue from its overseas operations and reported 8% YoY growth in revenues and 40% YoY increase in broadband subscribers, high telecom taxes and increased electricity costs on telecom companies contributed to an impairment of goodwill of BD 20M. This impairment was isolated to our investment in Jordan and represents a prudent decision in line with IFRS, not reflective of the Group's financial health.
- Kuwait (Quality Net): Qualitynet remains market leader in the Fixed Data Communication and Internet Services and ICT industry in the State of Kuwait. The company continues to evolve into a total solutions provider for reliable, scalable, secure and cost effective state of the art internet, data and ICT solutions.
- Maldives (Dhiraagu): Dhiraagu ended the year with strong financial results with 5% YoY revenue increase due to growth across mobile data, Fibre-to-the-home (FTTH), enterprise and adjacent services. Mobile subscribers grew by 9%, while fixed broadband customers grew by 31% driven by the roll out of FTTH. Overall the broadband subscriber base grew by 53% and the Maldives remains one of the Group's best performing markets.
- Channel Islands, Isle of Man, South Atlantic & Diego Garcia (Sure Group): The significant investments made to its mobile and fixed networks enabled Sure to resist competitive pressures and to boost mobile subscriptions by 6% and broadband subscriptions by 4%. Customers were attracted to Sure's network speeds which, in the Channel Islands, were independently measured as being the fastest, and also attracted by Sure's innovative tariffs.
- Yemen (Sabafon): Sabafon, in which Batelco Group has a minority shareholding of 26.94%, is a GSM operator in Yemen offering national coverage across the country. Sabafon has been operating in a challenging environment due to the existing political instability, and this along with expensive energy prices and the deteriorating Yemeni Riyal has increased the economic impact. Accordingly, Batelco took an impairment provision of BD 30M on Sabafon's carrying value for the year ended 31 December 2017.
- Saudi Arabia (Etihad Atheeb Telecom): Atheeb, in which Batelco holds a 15%

# 59%

OF REVENUE GENERATED FROM OUR OVERSEAS OPERATIONS



stake, operates under the “GO” brand and has a broad portfolio of products and services for both business and retail customers. In 2017 Atheeb decreased its share capital from SAR 1.6 billion to SAR 630 million to restructure its capital and write off accumulated losses.

- Egypt (Batelco Egypt Communications (S.A.E.): Batelco Egypt is wholly owned by Batelco Group. Through partnerships and alliances with other leading providers Batelco is gaining strength in Egypt’s enterprise sector among local and multinational companies.

### Business Achievements across the Group

There were many notable accomplishments made during 2017 by Batelco’s overseas operations, particularly in relation to strengthening our digital capability and go-to-market. Our size and geographical dispersion gives us unique challenges and opportunities to be a lead in this new economy. I am proud to say that we are at the forefront of digital transformation efforts within the greater ecosystem of our operating companies.

In Bahrain, Batelco is a well-established leader and premier provider of digital services within the Kingdom. In Jordan, Umniah implemented the largest internet connection project for the Ministry of Education, connecting over 2,700 schools and directorates and as a continuation of the project donated free safe internet for the same locations



benefitting over 1.3 million students, teachers and administrators. We also have a leading position in determining the digital transformation agenda for the governments of the Channel Islands in the areas of Cloud and Blockchain.

There were numerous successes at launching and introducing innovative digital brands. For instance, in the Maldives, Dhiraagu strengthened its youth proposition by launching innovative home grown digital mobile service, Maamen, and payment services for the Youth segment. Qualitynet also launched a home-created mobile app of services to benefit Muslims, such as prayer times and Qur’an readings, which was well received by the Kuwaiti market.

In all our operating areas, we have made good progress on our transformation agenda. We have put into place a wide-ranging digital transformation plan that will create not only a leaner and more nimble organization, but also one that is well positioned for the future.

### Thanks to Batelco’s Teams and Stakeholders

I offer appreciation to Batelco Chairman and Board of Directors for their guidance and support to me and the executive team at all times. I also extend my sincere thanks to Batelco’s management and staff across the Group for their dedicated efforts during 2017 and encourage them to remain focussed on continuous improvements as we push forward with transforming our strategy and our operations.



Our customers and shareholders remain our priority: their loyalty and support is much appreciated. We will continue to focus on enhancing customer experience to add value for all our stakeholders.

### Looking Forward

For 2018 we have a comprehensive transformation strategy in place that is ready to accelerate to the next level. We will continue to evolve our strategy to expand the business scope, scale and performance while delivering superior customer experience and ensuring profitability.

Chief among our plans is the roll-out of transformational programmes in each JV to improve operational performance, with emphasis on providing superior customer experience in all locations to differentiate each operation from its local competitors. This will be supported by a focus on expanding and improving quality and speeds of our LTE networks across all markets and additionally, we will continue to focus on fibre and digital investment in order to strengthen our portfolio.

Our plans have been designed to shape the future of Batelco as a more agile, efficient, innovative and profitable Group with our goal being to create more value for all our stakeholders.

**Ihab Hinnawi**  
Group Chief Executive

## GROUP EXECUTIVE MANAGEMENT



**Ihab  
Hinnawi**  
Group Chief  
Executive Officer



**Muna  
Al Hashemi**  
Group Deputy  
Chief Executive Officer



**Faisal  
Qamhiyah**  
Group Chief  
Financial Officer



**Shaikh Ahmed  
bin Khalifa Al Khalifa**  
Group General Manager Human  
Resources & Development



**Ahmed  
Al Janahi**  
Group Board Secretary & General  
Manager Corporate Affairs



**Miguel Angel Fuentes**

Group General Counsel



**Ali Sharif**

Group Chief Internal Auditor



**Dr. Ghassan Ali Murad**

Group General Manager Mergers & Acquisitions



**Karan Ponnudurai**

Group Chief Digital Officer



**Ahmed Abdellatif**

Group Chief Wholesale Officer

\* Bernadette Baynie served as Group General Counsel until June 30, 2017

\* Haytham Fatayer served as Group Chief Technical Information officer until March 30, 2017



More  
connected  
future.

# Digitisation



## Digital technologies have not only reshaped the world of business, but have vaulted into the heart of family life.

Everyone in the family is connected – interacting on social media and messaging platforms and tapping into the biggest library on the planet, the internet. We continue to build and upgrade our digital platforms towards an ever more connected future.



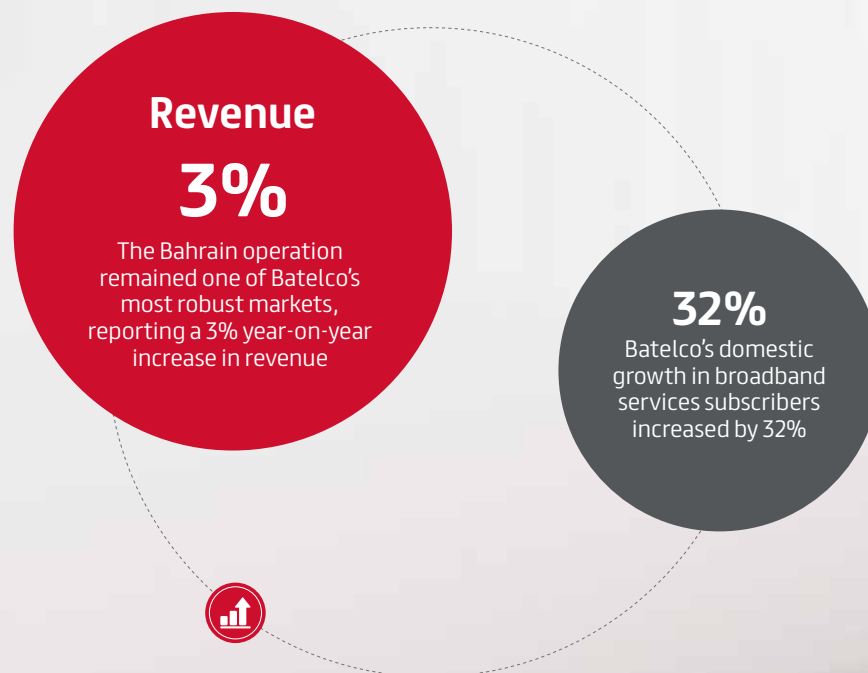
**Reshaping  
the world of  
business**



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# BAHRAIN CEO MESSAGE

“Batelco’s strategic plans to develop world class Datacentre services, advanced infrastructure and FinTech solutions are in line with the Kingdom’s 2030 vision and aspirations to maintain Bahrain’s position as a leader in the region’s ICT industry and play a prominent role in the ongoing transformation of Bahrain as a fully enabled digital and diversified economy”





## BAHRAIN CEO MESSAGE (CONTINUED)



We continued to bring new services to our customers, invested in our digital infrastructure and made significant improvements to the customer experience.



The Bahrain operation remained one of Batelco's most robust markets, reporting a 3% year-on-year increase in revenue for 2017, boosted by the growing success of fixed broadband and digital services. Batelco's domestic growth in broadband services was driven by heavy investment in its Fibre Rollout Programme to accommodate the demand for faster internet services, which contributed to a 32% YoY increase in broadband subscribers.

The year was marked by new partnerships, investments in new and upgraded infrastructure and services, and also by participation at key communications events. We continued to bring new services to our customers, invested in our digital infrastructure and made significant improvements to the customer experience.

### Business Overview

Batelco entered into a strategic partnership with Amazon Web Services (AWS) allowing the Company to deliver AWS products and services in Bahrain to meet the local market requirement from enterprise and government customers. As part of the unfolding relationship Batelco was named as an AWS Authorised Channel, Public Sector Reseller and Direct Connect Partner during 2017.

In the second half of 2017 work began to build a number of world-class TIER III Datacentre facilities to ensure the highest level of business continuity for the Enterprise and Government sectors. In today's data intensive business environments, the TIER III facilities will provide higher levels of overall capacity and redundancy to meet the increasing demand for Datacentre and colocation services.

Batelco's reach continued to expand in line with our global provisioning goals. Partnerships play a very crucial role and accordingly we entered into strategic alliances with reputable regional and global carriers to support our aims to provide innovative services that are relevant to our clients' businesses.

Having a prominent presence at major industry events is also important for Batelco and as a leading player in Bahrain's ICT industry, Batelco participated at a number of events during 2017 including MEET ICT/BITEX in Bahrain and GITEX and Capacity Middle East in the UAE. Such events give us the chance to showcase our growing portfolio of digital solutions.

Looking to the year ahead, we have begun 2018 on a strong note by launching a new FinTech product, bWallet, in collaboration with

3%

REPORTING A 3% YEAR-ON-YEAR INCREASE IN REVENUE FOR 2017.



Arab Financial Services. bWallet is designed to enhance our customers' experience by providing a convenient way to pay for goods and services and also to transfer money. We are committed to ensuring the best in class digital and FinTech solutions for the Kingdom's consumers.

**Team Batelco**

I joined Batelco during the last quarter of 2017 and received a very warm welcome from Batelco Board of Directors, management and staff. I would like to offer my sincere appreciation to Batelco's Chairman Shaikh Mohamed bin Khalifa Al Khalifa and all members of Batelco Board for their invaluable guidance and to the management teams for their vital support.

I also extend thanks to Batelco's employees, our most important asset, for a job well done in 2017 and

encourage them to continue with their efforts centered on delivering a superior experience for customers.

Our customers are our priority and everything we do is with them in mind. On behalf of all Batelco Bahrain team members I extend a huge vote of thanks to our customers for their loyalty in choosing Batelco's products and services.

**Looking Forward**

Our product portfolio is unmatched in the local market across a range of areas, including networking, cloud solutions and digital solutions. We take our role as the leading investor in Bahrain's communications network very seriously and are determined to remain at the heart of what's to come and continue to add value for our customers' and society as a whole.

We will continue to invest in Bahrain's digital future with our

investments designed to enable the Kingdom's social and economic growth. Batelco's strategic plans to develop world class Datacentre services, advanced infrastructure and FinTech solutions are in line with the Kingdom's 2030 vision and aspirations to maintain Bahrain's position as a leader in the region's ICT industry and play a prominent role in the ongoing transformation of Bahrain as a fully enabled digital and diversified economy.

**Mohamed Bubashait**

Chief Executive Officer Bahrain

## BAHRAIN MANAGEMENT



**Mohamed Bubashait**  
Chief Executive  
Officer Bahrain



**Baha Tuncer**  
Chief Financial  
Officer Bahrain



**Abderrahmane Mounir**  
Chief Operating  
Officer



**Mike Stanford**  
Chief Marketing  
Officer

\*Mike Stanford served as Chief Marketing Officer until November 9, 2017



**Adel Al-Daylami**  
Chief Global  
Business Officer



**Ebru Pilav**  
GM Human Resources &  
Corporate Services



**Ebrahim Al Sayed**  
General Manager  
Consumer Division

\*Muna Al Hashemi served as Chief Executive Officer until her appointment as Group Deputy CEO

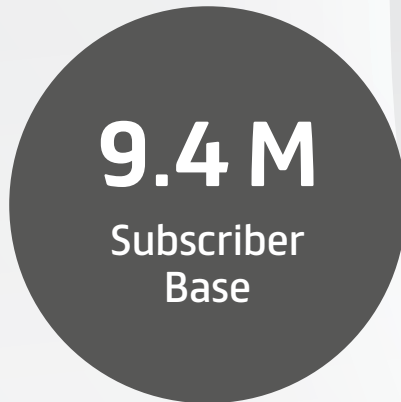
\*Sameer Altaf served as Chief Financial Officer Bahrain until June 30, 2017

\*Bashier Sallie served as Chief Technology & Information Officer until June 30, 2017

\*Suhaila Alnowakhda served as General Manager HR & Corporate Services until June 30, 2017

## BATELCO GROUP

**Batelco** is providing superior customer experience in all locations to differentiate each operation from its local competitors.



**Batelco**  
HEADQUARTERS  
Kingdom of Bahrain



**UMNIAH**  
Jordan



**QUALITY NET**  
Kuwait



**DHIRAAGU**  
Maldives



The Batelco Group is headquartered in the Kingdom of Bahrain and listed on the Bahrain Bourse.

Batelco Group has evolved from being a regional Middle Eastern operation to become a major communications company with direct and indirect investments across 14 geographies, namely Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey,

Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Island and the Falkland Islands.

Batelco's overseas operations continue to add value to the Group and in 2017 contributed 59% of revenues and 56% of EDITDA.

[www.batelcogroup.com](http://www.batelcogroup.com)



**SURE**  
Channel Islands & Isle of Man  
& South Atlantic & Diego  
Garcia



**SABAFON**  
Yemen



**ETIHAD ATHEEB TELECOM**  
Saudi Arabia



**BATELCO**  
Egypt

## SUBSIDIARIES AND AFFILIATES

### Jordan / Umniah



**Ziad Shatara**  
Chief Executive Officer



Since its launch in June 2005 and despite the difficult operating environment in Jordan with high telecom taxes and electricity costs, Umniah, a 96% owned subsidiary of Batelco Group, continues to enjoy a strong presence in the Jordanian telecom market.

Umniah acquired Batelco Jordan in 2008, a move that paved the way for the launch of Umniah's business solutions, diversifying and enriching the operator's offerings to meet the growing demands of the Jordanian telecommunication landscape. Since then, Umniah has continued to evolve its business model to adapt to the digital age, focusing on future-centric services like mobile payment, security and cloud computing.

In 2017, Umniah invested more than USD 50 million in the development of its network infrastructure with the objective of further improving the experience of its customers. The investment resulted in the installment of additional communication towers that essentially doubled the network's capacity and offered faster LTE bandwidths for mobile and home subscribers throughout Jordan.

Moreover, the operator launched its fiber internet services; offering Jordanians the fastest and most stable form of internet connectivity available today.

The year 2017 also saw the company finalize the largest data networking project in Jordan's history, implemented in partnership with the Ministry of Education and the Special Communications Commission of the Jordanian Armed Forces.

Umniah's key priority going forward will be to continue building on its core values of innovation and customer centricity to service different segments. The company is consistently investing in its comprehensive selection of consumer services and business solutions to ensure that everyone can "belong" to the Umniah community.

**Kuwait** / Quality Net



Qualitynet is the market leader in the Fixed Data Communication and Internet Services and ICT industry in the State of Kuwait.



**Mohammed Al-Nusif**  
Chief Executive Officer

The company was established in 1998 and Batelco Group acquired 44% of the company in 1999, subsequently increasing its shareholding to 90% in 2014.

The company applies a full range of different technologies, industry leading brands and solution offerings that allow customers the flexibility to meet their specific requirements.



In 2017 Qualitynet was awarded “The Best ICT Company in Kuwait” by Arabian Business Magazine.

The company continues to evolve into a total solutions provider for reliable, scalable, secure and cost effective state of the art internet, data and ICT solutions.

## SUBSIDIARIES AND AFFILIATES (CONTINUED)

**Maldives** / Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)



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 Group acquired 52% shareholding of the company in 2013.



**Ismail Rasheed**  
Chief Executive Officer & Managing Director

Dhiraagu is the first operator to link the Maldives from North to South through its 1253 km long fibre-optic submarine cable which supports high speed internet and data services and the first operator to provide mobile broadband across the country. The company has the strongest broadband coverage across the country, with nine strategically located operation centers and the largest distribution and retail network. Dhiraagu's superior customer services, through its 24/7 Customer Support channels including Dhiraagu Online Service platforms and mobile apps, remain a key strategic priority.

Dhiraagu has a structured Corporate Social Responsibility Programme through which it gives back to the community and is a signatory to the



United Nations Global Compact. In 2017 Dhiraagu remained committed to the protection and promotion of children's rights and supported various NGOs working for child protection. Key highlights include the annual Dhiraagu Maldives Road Race and the only sports festival for children with disabilities, the Dhiraagu Special Sports Festival. Another key CSR activity, the Dhiraagu Apprenticeship Programme, celebrated its ninth year in 2017 and enrolled 19 new apprentices.

With nearly three decades of excellence, Dhiraagu continues to play an integral part in the social and economic development of the Maldives, constantly innovating, bringing new technology and leading the market with new services.

**CIIM and SADG / Sure Group**



**Ian Kelly**  
Chief Executive Officer,  
Sure Group



The SURE Group comprises of a number of geographically diverse operations which are wholly owned subsidiaries of Batelco Group, acquired in 2013. Head quartered in Guernsey, Sure 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 and broadband 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.

Sure's substantial investment in its networks was demonstrated by being measured as the fastest mobile network in the Channel Islands by the Regulator, whilst in the Falkland Islands the roll out of a new 4G network has commenced.

Sure's fixed network strategy of providing fibre to the business in the channel islands was expanded to the Isle of Man with a new local fibre network being installed for the business community. In Guernsey Sure's residential Broadband network investment continued in expanding their fibre-rich approach with the launch of a 100 Mbps service.

International transit upgrades in Diego Garcia and the Falklands have resulted in improved service levels to domestic and government customers.

Sure was awarded the Isle of Man mobile government contract during 2017 totaling over 6,000 services and continued to broaden its service offerings in all locations especially to support corporate and government customers, including bespoke cloud platforms which ensure confidence in data residency.

Access issues in the South Atlantic, particularly in Ascension Island where airport traffic has been limited, led to a challenging year with reduced visitor numbers. Despite this the region performed well with government and enterprise revenues compensating for lower roaming and domestic revenues.

In Diego Garcia leased circuit revenues continue to grow whilst broadband services were enhanced by the increased speeds and new tariffs.

## SUBSIDIARIES AND AFFILIATES (CONTINUED)

### Yemen / SabaFon



#### SABAFON

Yemen

Sabafon, in which Batelco Group 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. This instability along with expensive energy prices and the deteriorating

Yemeni Riyal has increased the economic impact. Accordingly, Batelco took an impairment provision of BD30.0 million on Sabafon's carrying value for the year ended 31 December 2017.

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. In the meantime, Batelco will continue to closely monitor the situation in Yemen.

### Saudi Arabia / Etihad Atheeb Telecom



#### ETIHAD ATHEEB TELECOM

Saudi Arabia

Etihad Atheeb Telecommunications Company (Atheeb) was established in 2008 and is a publically 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.

In 2017 Atheeb decreased its share capital from SAR 1.6 billion to SAR 630 million to restructure its capital and write off accumulated losses. A further capital reduction has been announced in 2018 and is pending Board, General Assembly and regulatory approvals.

## Batelco / Egypt



### BATELCO EGYPT COMMUNICATIONS

(S.A.E.)

Egypt

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.

From Business connectivity to cloud services to security solutions, Batelco provides you with everything so that your idea doesn't just change the world, it transforms yours too.

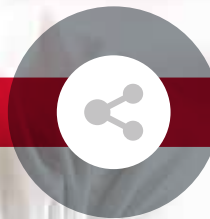
We are supporting the evolving demands of the enterprise sector through investment in innovative solutions including the development of FinTech products and services to support the acceleration of Bahrain's FinTech ecosystem.



Evolving demands

# FinTech





**Supporting  
the acceleration of  
Bahrain's FinTech  
ecosystem.**

## AWARDS AND ACHIEVEMENTS

Batelco and its sister operations accomplished major achievements during 2017 and additionally collected a number of internationally regarded awards.

### Batelco Wins The Innovation Award

Batelco was presented with The Innovation Award at the 11th annual Telecoms World Awards ceremony. The significant award recognises the operator that is investing towards the delivery of innovative new products and services for its customers.

### GEC Award for Batelco

Batelco was presented with the Top Project Execution Award for the Telecom Sector at the annual GEC Awards ceremony. In winning the prestigious award, Batelco was recognised for its Superfast Fibre Network.

### Batelco Wins Best Emerging Market Initiative Award

Batelco was presented with the Best Emerging and Frontier Market Initiative Award at the 11th annual Telecoms World Awards ceremony. The prestigious award recognises the operator that has invested time, effort and money to transform its networks and operation to ensure it has the necessary ecosystem in place to meet the challenges that prevail in the communications industry as the world goes digital.

### Arabian Business Award for Qualitynet

Quality Net was presented with the Best Information Technology Award for Kuwait, at the 2017 annual Arabian Business Awards.

### Qualitynet Create and Launch Muslim App

Qualitynet created and developed the Muslim App, which contains a package of services and information designed to benefit Muslims on a daily basis. The app, available for Android and IOS, was launched during Ramadan.

### Umniah Opens First Drive Thru Service

Umniah opened the first Drive-Thru service for a communications company in the Kingdom of Jordan, to benefit their customers with added convenience.



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### Sure Achieves Fastest Mobile Network Accolade

Sure's mobile network was recognised as the fastest in the Channel Islands following the Islands Competition and Regulatory Authorities' (CICRA) independent research, conducted by industry specialist Regulaid. Sure's 4G mobile network was found to be the fastest for data downloads in both Guernsey and Jersey and was more than twice as fast as the next closest operator in both islands.

### Sure Named Employer of the year

Sure was presented with the Employer of the Year award at the 2017 Guernsey Awards for Achievement and named winner of the Outstanding Employee Engagement Award at the 2017 CIPD Jersey Branch Awards.

### Falkland Islands Government Award Licence to Sure

A new exclusive telecommunications licence was awarded to Sure by the Falkland Islands Government to provide fixed line phone, broadband and mobile phone services in the Falklands for a period of 12 years. The licence is a reciprocal commitment that gives Sure the certainty needed to make major network investments in the Islands, not least the creation of a 4G mobile network which will transform customers' mobile Internet experience.

### Dhiraagu Rebranding

Dhiraagu unveiled its new branding adopting orange as its primary brand colour and an updated logo that reflects Dhiraagu's focus as a leading provider of world-class digital and telecom services in the Maldives. The company also adopted the new slogan 'take on tomorrow' to reflect its role as an innovative brand that provides future-proof products and services to help customers make the most of the digital future.

### Yonder Launched by Dhiraagu

Dhiraagu partnered with Yonder Inc. to launch Yonder Music Maldives, the country's first international music streaming service with a library of 22 million songs including the latest international and local hits, and a special karaoke feature.

### Umniah Implements Major Internet Connection System

Umniah implemented the largest Internet connection system in Jordan for the Ministry of Education, in cooperation with the Special Communication Commission. The initiative connected 2652 schools, 43 directorates, and 69 administrative buildings, offering high-speed data sharing capabilities as well as a wealth of applications such as video conferencing, security and others.

### Umniah Delivers Free Safe Internet

In continuation of its major schools connectivity project, Umniah donated free safe Internet to benefit more than 1.3 million students and 100,000 teachers and administrators under the umbrella of the Ministry of Education.

## CORPORATE SOCIAL RESPONSIBILITY

### A CULTURE OF GIVING.

Batelco has been one of the leading philanthropic companies in the Kingdom Of Bahrain for decades, each year reaching out to all residents through numerous CSR programmes.

Likewise, Batelco's sister companies have highly reputable programmes in place designed to have a positive impact on their local communities.



#### Social Welfare Activities

Batelco officials paid a visit to Muharraq Social Welfare Centre and distributed gifts to the residents.



#### Career Day

Batelco continued with its long standing commitment to educational initiatives by sponsoring the University of Bahrain annual Career Day for the 13<sup>th</sup> time.



30,000  
Ramadan Baskets



#### Ramadan Baskets

Batelco's Ramadan Basket programme ensures that thousands of less fortunate families receive a hamper of food items that are in high demand during the Holy Month. In 2017, 30,000 boxes were handed out through the Kingdom's Charity Societies.

#### King Hamad Golf Trophy

His Majesty King Hamad's annual Golf Championship has proven to be a great initiative in promoting golf in the Kingdom and Batelco is delighted to have been associated with this major tournament since its inception. The 10th edition of the popular event took place in 2017.

#### Career Day

Batelco continued with its long standing commitment to educational initiatives by sponsoring the University of Bahrain annual Career Day for the 13th time. Batelco industry experts were available at the 3-day expo to answer questions and give advice based on their years of experience in their respective fields.

#### Umniah Al-Khair Ramadan Campaign

On the occasion of the holy month of Ramadan, Jordan Umniah reached out to underprivileged people throughout Jordan's governorates by distributing 1000 care packages and hosting Iftar's especially for orphans. The campaign benefitted thousands of adults and children.

#### Umniah Largest Sports Supporter in Jordan

Among the wide range of sports initiatives on Umniah's agenda is support for Umniah's Sports and Youth Ambassador Ahmad Abu Ghosh, who is making excellent progress in his quest to represent Jordan at the Tokyo 2020 Olympics. Umniah also launched Shababi, a five-a-side football league for Jordanian universities, during 2017.

#### Protection of Nature Project

Umniah joined hands with the Arab Society for Protection of Nature (APN) to plant 2000 forest and fruit trees in Jordan. Umniah staff, family and friends participated in the project which aims to rehabilitate waste areas and benefit residents and the environment.

## CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

### QRun Kids Marathon

Qualitynet organized the first marathon especially created for children, in Kuwait, held at Morouj in March 2017 for the cause of Bait Abdullah Kids support. The event was very successful with a huge number of children and their families participating.

### Flying Start Triathlon Event

Qualitynet participated as a sponsor for the biggest Triathlon event held at Green Island. The company participated with lots of activities for the crowd and participants and Qualitynet's Triathlon team won the first place as a Kuwaiti team.

### Techstars Startup Weekend Maldives

Dhiraagu, along with UNDP (United Nations Development Programme) Maldives and Enterprise Development Maldives held Techstars Startup Weekend Maldives for young entrepreneurs to foster new ideas and innovation. The event, powered by Google for Entrepreneurs, was the first international initiative to support and nurture the growth of startups in Maldives.

### Dhiraagu Charity Sports Events

The 2017 Dhiraagu Road Race attracted over 3000 participants with the run generating significant funds to support initiatives dedicated to helping protect children. Additionally, 300 children participated in Dhiraagu Special Sports Festival 2017, the Company's annual sports event for children with disabilities, held in collaboration with various NGOs.

### Every Child Our Future

Sure's Community Foundation supported Every Child Our Future, which provides vital support to children in Jersey who are falling behind their reading expectations. Volunteer staff from Sure visit schools and listen to children read on a one to one basis. Many of the children are from disadvantaged families or have English as an additional language.

### Supporting Young People in St Helena & Ascension

Sure sponsors internet/broadband services for students in St Helena and Ascension Island, as well as charitable and community groups, including a charitable organisation for the disabled, St Helena's youth centre and members of the New Horizons Youth Group.

### Sure Community Foundation

Active in Guernsey and Jersey, the Community Foundation is made up of staff members from within Sure who raise funds for charitable causes selected by the staff. In 2017 the recipients included Little Miracles, a charity that provides support for parents with a baby in Special Care Baby Units and Brighter Futures, a charity that supports parents, carers, children and young people.





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300 children participated in Dhiraagu Special Sports Festival 2017, the Company's annual sports event for children with disabilities, held in collaboration with various NGOs.

## CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

## Overview

As a Bahrain-based Company, Batelco is subject to the corporate governance standards of the Central Bank of Bahrain (CBB) and the Bahrain Commercial Companies Law. 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.

Batelco's corporate governance practices have been structured around the following eight principles:

- The Company shall be headed by an effective, collegial and informed Board
- The directors and officers shall have full loyalty to the Company
- Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board
- The Company shall remunerate directors fairly and responsibly
- The board shall establish a clear and efficient management structure
- Company shall communicate with shareholders, encourage their participation, and respect their rights
- The Company shall disclose its corporate governance code and its compliance to it.
- While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

To ensure the above, the Board has delegated some of its responsibilities to specialized committees with a definite mandate to make certain that all facets of good governance are implemented and monitored on an ongoing basis

While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2017 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements.

The Board has resolved that it shall investigate any non-compliance or deviations from these Corporate Governance Guidelines.

The Executive Committee of the Board is responsible to review the Corporate Governance Guidelines document at least once every two years, or as and when required, in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain.

The Corporate Governance Guidelines approved by the Board are available on the Company's website. Shareholders of the Company can obtain the copy of the Corporate Governance Guidelines of the Company from the Corporate Secretary.

## Communication with Investors and Shareholders

To encourage transparency and foster the culture of active communication, the Board strives to maintain an open communication channel with its investors and shareholders at all times.

The Board is committed to communicate its strategy and activities clearly to the stakeholders and, to that end, maintains an active dialogue with stakeholders through planned activities.

By policy, the Company is committed to publicly disclose to all its stakeholders fair, transparent, comprehensive and timely relevant information. To support this principle of transparency, Batelco's financial statements are maintained on its website at all times thus ensuring all material facts are made available to shareholders prior to any vote.

The principal communication with investors and shareholders is through the annual report of the Company and the AGM, an occasion which is attended by all directors and at which all shareholders present are given the opportunity to question the Board.

Overall responsibility for ensuring that there is effective communication with investors and to understand the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

## CORPORATE GOVERNANCE (CONTINUED)

### Management Statement (risk management)

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Audit Committee as well as the Executive Committee who in turn report to the Board on the Company's key risks and the extent to which these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Please refer to note 4 of the Financial Statements for further details.

### Ownership Structure

Batelco's principle shareholders include institutional investors, Sovereign Wealth Fund Institutes (SWF's) and general public.

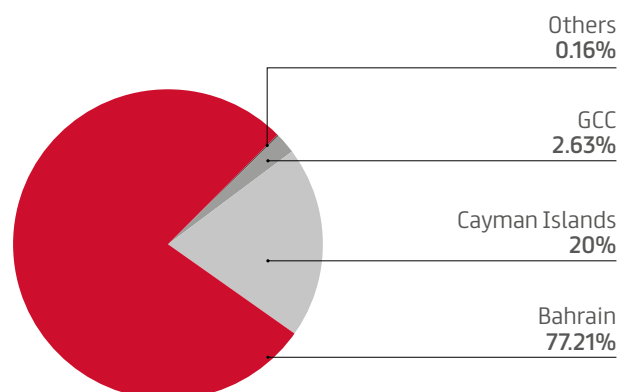
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

### Ownership Structure by Nationality

The table and illustration shows the distribution of ownership of Batelco shares by nationality:

Nationality	Number of Shares	% of shares held
1 Bahrain	1,284,231,267	77.21%
2 Cayman Islands	332,640,000	20%
3 GCC	43,699,444	2.63%
4 Others	2,629,289	0.16%

Distribution of Shares by Nationality

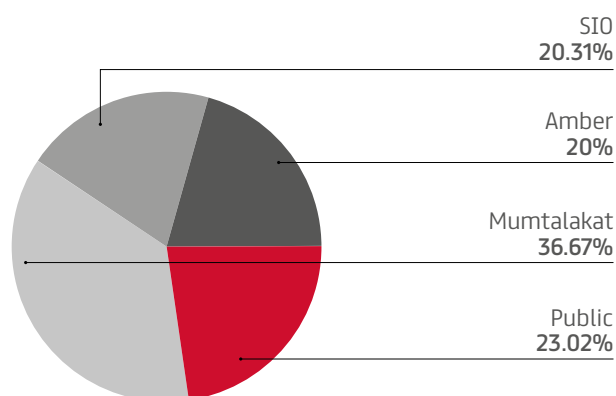


### Ownership Structure by Size

The table and illustration shows the distribution of ownership of Batelco shares by size (5% and above):

Owner	Number of Shares	% of shares held
1 Mumtalakat Holding Company	609,840,000	36.67%
2 Amber Holding Company	332,640,000	20%
3 Social Insurance Organization	337,835,705	20.31%
4 Public	382,884,295	23.02%

#### Distribution of Shares by Size



### Ownership Structure by Category

The table below shows the distribution of ownership of Batelco shares by the government entity (ies), directors and executive management:

Government Entity(ies)	Number of Shares	% of shares held
1 Mumtalakat Holding Company	609,840,000	36.67%
2 Amber Holding Company	332,640,000	20%
3 Social Insurance Organization	337,835,705	20.31%

Directors	Number of Shares	% of shares held
1 Shaikh Mohamed bin Khalifa Al Khalifa	57,570	0.003%
2 AbdulRahman Yusuf Fakhro	170,752	0.010%
3 Ahmed Ateyatalla Al Hujairi	31,470	0.0019%
4 Arif Haider Rahimi	31,170	0.0019%
5 Khulood Rashid Al Qattan	30,010	0.0018%
6 Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
Dr. Ghassan Murad	103,950	0.0063%

### Directors and Senior Management trading during the year 2017

No trading was done by Directors nor Senior Management in the year of 2017.

## CORPORATE GOVERNANCE (CONTINUED)

### Board Structure

The Board has the final responsibility for the overall conduct of the Company's business, providing direction by exercising objective judgment on all matters independent from executive management.

The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and also for ensuring the effectiveness of and reporting on the corporate governance framework in place.

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 10 Non-Executive Directors, 8 of which are Independent.

The detailed information about the directors in the Board of Batelco is set out below:

	<b>Shaikh Mohamed bin Khalifa Al Khalifa</b> Chairman	<b>Mr. Abdulrahman Yusuf Fakhro</b> Deputy Chairman
Appointed by/ Status	Mumtalakat / (Non – Executive / Independent)	Social Insurance Organization/ (Non – Executive / Dependent)
Committee membership	Chairman of the Nomination, Remuneration and Donations Committee	Chairman of the Executive Committee Nomination, Remuneration and Donations Committee
Qualifications and Experience	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 28 December 2016. He was appointed by Mumtalakat until the end of the term. He was re-appointed at the AGM 2017 as a non-executive Independent director for a period of 3 years.</li> <li>Obtained a Bachelor's degree in Business Administration from Arab University – Lebanon.</li> <li>Used to serve as President of Customs Affairs at the Ministry of Interior.</li> <li>Assistant Undersecretary for Financial, Administrative and Minor's Estate Affairs at the Ministry of Justice and Islamic Affairs.</li> <li>A previous Board Member of Batelco and Gulf Air.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 04/2012. He was re-appointed at the AGM in 2017. He holds the role as a non-executive Dependent director for a period of 3 years.</li> <li>Chairman of Bahrain Commercial Facilities Company (BSC)</li> <li>Chairman of Yusif bin Yusif Fakhro B.S.C.</li> <li>University of Cairo, Faculty of Commerce.</li> </ul>
Years of Experience	Over 47 years of experience.	Over 52 years in the investment and insurance sector.
Board Representation	<ul style="list-style-type: none"> <li>Chairman of Sure Group Telecommunication Company (UK)</li> <li>Chairman of Quality net Telecommunication Company (Kuwait)</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of Umniah Telecommunications Company (Jordan)</li> <li>Deputy Chairman of Dhiraagu Telecommunications company (Maldives)</li> <li>Deputy Chairman of Social Insurance organization (SIO)</li> <li>Deputy Chairman Osool Asset management</li> <li>Chairman of Bahrain Marina</li> <li>Chairman of Amlak.</li> </ul>

	<b>Mr. Raed Abdulla Fakhri</b> Director	<b>Mrs. Khulood Rashid Al Qattan</b> Director
<b>Appointed by/ Status</b>	Mumtalakat / (Non- Executive / Dependent)	(Non – Executive / Independent)
<b>Committee membership</b>	Executive Committee Deputy Chairman of Nomination, Remuneration and Donations Committee	Chairperson of Audit Committee
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>• Has been serving on Batelco Board since 03/14. He has been re-appointed in the AGM 2017 as a non-executive Dependent director in the Board for a period of 3 Years.</li> <li>• Mumtalakat Vice President Investments since March 2013</li> <li>• Holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA.</li> <li>• Co-founded BDI Partners in 2010 and headed the firm as a Managing Director.</li> <li>• Spent 3 years in Capinvest Investment Bank, heading the Investment Department.</li> <li>• Batelco Senior Manager in New Business Development Unit.</li> <li>• Spent 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.</li> </ul>	<ul style="list-style-type: none"> <li>• Has been serving on Batelco Board since 03/14. She was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>• General Manager of Prime Advisory WLL.</li> <li>• She holds a Bachelor Degree in Accounting from Ayn Shams University, Cairo</li> <li>• She started her career as a trader in the US &amp; European equities and has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management.</li> <li>• Early career started with Bank of Bahrain &amp; Kuwait where she worked her way to Head of Investment Department</li> <li>• She widened her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolve Capital.</li> </ul>
<b>Years of Experience</b>	Over 23 years of experience mainly in business development and investment banking.	• Over 25 years of experience in banking and investment.
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>• Board member of Etihad Atheeb Telecommunications (Saudi Arabia)</li> <li>• Chairman of National Broadband Network Company</li> <li>• Board member in Gulf Air Group</li> <li>• Board member in Investrade</li> <li>• Board member in BDI Partners</li> </ul>	<ul style="list-style-type: none"> <li>• Board member and Chairperson of Audit committee in Umniah Telecommunications company (Jordan)</li> <li>• Board member and Chairperson of the Audit Committee in Dhiraagu telecommunication Company (Maldives)</li> <li>• Board member in Sico Financial Services company (SFS)</li> <li>• Member in Committee for the Young Women Entrepreneur award</li> </ul>

## CORPORATE GOVERNANCE (CONTINUED)

	<b>Dr. Ahmed Ebrahim Abdulqader Al Balooshi</b> Director	<b>Mr. Arif Haider Rahimi</b> Director
<b>Appointed by/ Status</b>	Amber Holdings/ (Non- Executive / Independent)	(Non- Executive / Independent)
<b>Committee membership</b>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee</li> </ul>
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-appointed at the AGM in 2017 as a non-executive independent director for a period of 3 years.</li> <li>The Founder and CEO of Smarteam Consultancy.</li> <li>Attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014.</li> <li>Held the post of Undersecretary, Regulatory and Performance Audit, National Audit Office, from 2005 to 2013.</li> <li>He holds a Ph.D in Accounting from the University of Surrey UK , MBA and BSc. from University of Bahrain and is a Certified Public Accountant (CPA) - USA.</li> <li>Used to hold a post of Senior Manager with Ernst and Young, Assistant Undersecretary at the National Audit Office and Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL.</li> <li>A Certified Public Accountant, Board of Accountancy, Oregon, USA</li> <li>Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division.</li> </ul>
<b>Years of Experience</b>	<ul style="list-style-type: none"> <li>29 years of experience</li> </ul>	<ul style="list-style-type: none"> <li>Over 26 years of experience in financial services.</li> </ul>
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>Board member in Sabafon telecommunication (Yemen)</li> <li>Board member and Audit committee member in Sure Group Telecommunication company (UK)</li> <li>Board member in Ibdar Bank Bahrain, and chairman of the audit, risk and compliance committee</li> <li>Chairman of UOB Alumni</li> <li>Member of Alba Audit committee</li> <li>Member of Falcon Group Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Chairman of the Audit committee of Quality Net Telecommunications company (Kuwait)</li> <li>Deputy Chairman of the National Broadband Network Company.</li> <li>Chairman of the Bahrain International Circuit (BIC)</li> <li>Member in Bahrain Judicial Committee for Stalled Real Estate Projects.</li> </ul>

	<b>Mr. Ahmed Ateyatalla Al Hujairi</b> Director	<b>Mr. Oliver McFall</b> Director
<b>Appointed by/ Status</b>	(Non- Executive / Independent)	Mumtalakat/ (Non- Executive / Independent)
<b>Committee membership</b>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Chairman of the Audit committee</li> </ul>
<b>Qualifications and Experience</b>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/14. He was re-elected by the shareholders at the AGM in 2017, as a non-executive independent director in the Board for a period of 3 Years.</li> <li>Founder and CEO of Gulf Future Business S.P.C. and group of companies.</li> <li>He holds an executive MBA from DePaul University, Chicago, USA</li> <li>He began his career with Riyadh Bank, Saudi Arabia</li> <li>He attained the post of Director in the Health Information Directorate.</li> <li>Held the role as Acting CEO, Advisor to the Bahrain Minister of Health on Health Economics at Salmaniya Medical Complex</li> <li>Held the role of General Manager at Gateway Gulf B.S.C.</li> <li>Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society and a member of the Bahrain Society for Training and Development.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 03/2014. He was re-appointed at the AGM in 2017 by the shareholders as a non-executive independent director for a period of 3 years.</li> <li>Vice President of Roland Berger Strategy Consultants Middle east office</li> <li>Senior Partner and member of the Executive Team with AT Kearney.</li> <li>Senior Project Manager with McKinsey &amp; Company.</li> <li>Client base include major industrial corporations, telecom, energy and metals in Europe, Middle East and North America.</li> </ul>
<b>Years of Experience</b>	<ul style="list-style-type: none"> <li>Over 34 years of experience in Information Technology and Communications, Business, and Management.</li> </ul>	<ul style="list-style-type: none"> <li>More than 32 years of experience in international management consulting</li> </ul>
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>Deputy Chairman of the Board in Quality Net Telecommunications company (Kuwait).</li> <li>Board member in the National Broadband Network Company.</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Chairman of the Audit committee of Sure Group Telecommunication Company (UK)</li> <li>Board member in Ballard Europe</li> <li>Executive director in Blue Ocean/HSV (Switzerland); real estate management and development in Europe</li> <li>Board member in Ringford Holding (Switzerland)</li> </ul>

## CORPORATE GOVERNANCE (CONTINUED)

	<b>Mr. Jean Christophe Durand</b> Director	<b>Rear Admiral Yousif Ahmed Malalla AlSabt</b> Director
Appointed by/ Status	(Non – Executive / Independent)	Amber holdings / (Non-Executive / Independent)
Committee membership	<ul style="list-style-type: none"> <li>Deputy chairman of the Executive Committee</li> <li>Nomination, Remuneration and Donations Committee</li> </ul>	<ul style="list-style-type: none"> <li>Executive Committee</li> </ul>
Qualifications and Experience	<ul style="list-style-type: none"> <li>He was elected by the shareholders at the AGM in 2017, as a non-executive independent director for a period of 3 years.</li> <li>Chief Executive Officer of National Bank of Bahrain</li> <li>Graduated from ESSEC (Ecole Superieure des Sciences Economiques et Commerciales), French Business School in Paris</li> <li>Previously Global Head of the BNP Paribas MEA (Middle East &amp; Africa) region for Corporate and Institutional Banking and Asset Management for over 15 years</li> <li>Spent a number of years in Bahrain working with Banque Indosuez and BNP Paribas to grow their business locally and regionally and is credited with establishing BNP as one of the key financial institutions in the region and opening branches in several GCC countries and Africa</li> </ul>	<ul style="list-style-type: none"> <li>R. Adm. AlSabt has been serving on the Board since 05/17. He is an Amber Holding representative on the Board and was appointed on 15 May 2017. He holds the role as a non-executive independent director for a period of 3 years.</li> <li>Assistant Chief of Staff for Logistics &amp; Supplies at the Bahrain Defense Force</li> <li>Graduated from the Naval Academy in Egypt in 1978.</li> <li>Also, Graduated from the Naval war college for Staff course at New Port, RI. USA in 1985.</li> <li>He was 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.</li> </ul>
Years of Experience	<ul style="list-style-type: none"> <li>Over 36 years of experience in banking and finance sector</li> </ul>	<ul style="list-style-type: none"> <li>39 years of experience</li> </ul>
Board Representation	<ul style="list-style-type: none"> <li>Deputy Chairman of Umniah Telecommunication Company (Jordan)</li> <li>Board member in Gulf Air</li> <li>Board member in BIBF</li> <li>Chairman of the French Chamber of Commerce and Industries in Bahrain (FCCIB)</li> </ul>	<ul style="list-style-type: none"> <li>Board member and Audit committee member in Umniah telecommunication Company (Jordan)</li> <li>Board member and Audit committee member in Quality net Telecommunication Company (Kuwait)</li> <li>Board member in the National Broadband Network Company.</li> <li>Chairman of the Military Consumer and &amp; Economic Association</li> </ul>



## Previous board members who served in 2017:

	<b>Mr. Abdul Razak Abdulla Al Qassim</b> Deputy Chairman	<b>Brigadier Khalid Mohammed Al Mannaai</b> Director
Appointed by/ Status	(Non- Executive / Independent)	Amber holdings / (Non – Executive / Dependent)
Previous Committee membership	<ul style="list-style-type: none"> <li>Chairman of the Executive Committee</li> <li>Deputy Chairman of Nomination and Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>Donations Committee</li> <li>Executive Committee</li> </ul>
Qualifications and Experience	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 02/2008. He was re-elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years and completed his term on the 29th March 2017.</li> <li>Holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA.</li> <li>Joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank.</li> </ul>	<ul style="list-style-type: none"> <li>Has been serving on Batelco Board since 8/2012. He was re-appointed at the AGM in 2017 and resigned from his position as a board member in May 2017.</li> <li>Holds a Master's degree in Business Administration from Sheffield Hallam University (UK).</li> <li>Joined the Military Pension Fund in February 2011 following a long service with Bahrain Defense Force.</li> <li>He is one of the founders of the GCC Expanded Military Pension Coverage committee.</li> </ul>
Years of Experience	<ul style="list-style-type: none"> <li>Over 41 years in the Banking sector</li> </ul>	<ul style="list-style-type: none"> <li>39 years of experience</li> </ul>

**Mandate of the Board**

The principle responsibilities of the Board, as set out in its Charter, are as follow:

- 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 directors and executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- 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, loans, and acquisitions, including the sale of movable and immovable property, granting permission for withdrawal of money and securities owned by Batelco
- 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

## CORPORATE GOVERNANCE (CONTINUED)

### Board Meetings

As per the Charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Board of Directors met 15 times on the following dates and discussed the below mentioned significant items.

The summary of significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance and dividend payout
- Discussion of Budget and business plan 2018-2022
- Discussion and approval of Key Projects

### Board Meeting Attendance in 2017

Members	10 Jan	26 Jan	22 Feb	12 Mar	16 Mar	29 Mar	2 Apr	4 May	13 Jun	10 Jul	17 Jul	20 Jul	30 Oct	23 Nov	13 Dec
Sh. Mohamed Al Khalifa (C)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Abdulrahman Fakhro (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☒	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mrs. Khulood Al Qattan (M)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒
Dr. Ahmed AlBalooshi (M)	☒	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Arif Rahimi (M)	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
Mr. Ahmed Al Hujairi (M)	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Oliver McFall (M)	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (M)	-	-	-	-	-	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
R. Adm Yousif Ahmed Al Sabt (M)	-	-	-	-	-	-	-	-	☐	☐	☐	☐	☐	☐	☒
Mr. Abdul Razak Al Qassim (PM)	☐	☐	☐	☐	☐	-	-	-	-	-	-	-	-	-	-
Brig. Khalid Al Mannaai (PM)	☐	☒	☐	☐	☒	☐	☐	☐	-	-	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### Elections of Directors

There are formal, rigorous and transparent procedures for the appointment of new directors to the Board.

Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

The current directors of the Company are appointed by the General Shareholders Meeting from among candidates proposed by the Board on the recommendation of the Nomination, Remuneration and Donations Committee (NRC).

### Director Appointment Letter

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed.

### Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programs are provided.

Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director.

On appointment, individual Directors undergo an induction program covering, amongst other things:

- The business of the Company;
- Their legal and regulatory responsibilities as Directors;
- Briefings and presentations from relevant executives; and
- Opportunities to visit business operations.

Throughout their period in office the Directors are continually updated on the Company's businesses and the regulatory and industry specific environments in which it operates.

These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

### Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which he/she needs to be subject to re-election.

The termination of directorship can also take effect if any Director is in breach of the applicable governing laws and requirements of the Articles of Association.

### Performance Evaluation

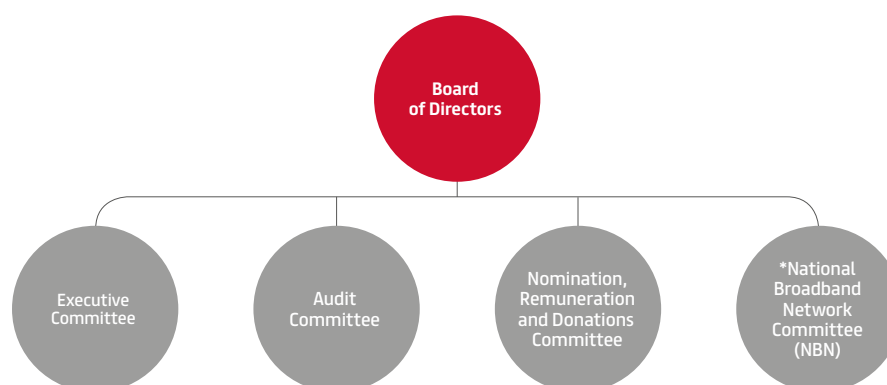
Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's performance as a whole.

The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continues to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2018.

### Board Committees Structure

In order to assist the Board in discharging its duties effectively and efficiently, the Board has established the following sub-committees:



The Board ensured that the Board Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. Each Board Committee has access to such information and advice, both from within the Company and externally, at the Company's cost as it deems necessary.

\*This committee was dissolved

## CORPORATE GOVERNANCE (CONTINUED)

### Executive Committee

The Executive Committee's primary duties and responsibilities are to:

- Review of Batelco's operational performance, at least once every financial quarter and direct management to develop and implement various initiatives to achieve the Annual Operating Plan
- Obtain reports at least once every financial quarter about the operating performance of joint ventures and associated companies and review the achievement of key financial targets and objectives
- Review of Batelco's 'Available For Sale' investment portfolio at least once every financial quarter
- Approve or recommend to the Board, all requests for the 'write-off' of an investment
- Approve or recommend to the Board any budgeted and unbudgeted capital expenditure
- Monitor the implementation of an effective corporate governance framework, with particular reference to the Corporate Governance Code of Bahrain (the "Code") and the requirements of the Central Bank of Bahrain ("CBB") Rulebook Volume 6
- Assist the Board in the effective discharge of its responsibilities for business, financial, operational, and reputational risk management and for the management of Batelco's compliance obligations

### Executive Committee Meetings

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.

During the year, the Executive Committee met on 6 occasions on the following dates and discussed the below mentioned significant items.

The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of monthly, Quarterly and YTD financial performance
- Discussion of Budget and business plan 2018-2022
- Discussion and approval of Key Projects

### Executive Committee Meeting Attendance in 2017:

Members	3 May	15 Jun	17 Jul	26 Oct	6 Nov	21 Nov
Mr. Abdulrahman Fakhro (C)	☐	☐	☐	☐	☒	☒
Mr. Jean Christophe Durand (M)	☐	☐	☐	☒	☐	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐
Mr. Arif Rahimi (M)	☐	☐	☒	☐	☐	☐
R. Adm Yousif Ahmed Al Sabt (M)	-	☒	☐	☐	☐	☐
Brig. Khalid Al Mannaie (PM)	☐	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member.

Appointment of New Board in AGM 29th March 2017

Directorship changes were executed 2nd April 2017

### Audit Committee

The Company's internal audit function reports to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditors' qualifications, remuneration, independence and performance;
- The appointment of Head of Internal Audit and the regular review of the activities and performance of internal audit function; and
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure of controls and procedures.

### Audit Committee Meetings

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 7 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance
- Discussion and approval of External Auditors assessment of Quarterly and YTD Financial performance
- Discussion and approval of annual audit plan and quarterly updated internal audit reports.

### Audit Committee Meeting attendance in 2017:

Members	20 Feb	2 Apr	2 May	19 Jul	17 Sep	29 Oct	4 Dec
Mrs. Khulood Al Qattan (C)	☐	☒	☐	☐	☐	☐	☐
Mr. Oliver McFall (M)	-	☒	☐	☐	☐	☐	☐
Mr. Ahmed Al Balooshi(M)	☐	☐	☐	☐	☒	☐	☐
Mr. Ahmed Al Hujairi (M)	☐	☐	☐	☐	☐	☐	☐

C = Committee Chairman, M = Committee Member, PM= Previous Member

☐	Attended	☒	Did not attend
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Appointment of New Board in AGM 29th March 2017

Directorship changes were executed 2nd April 2017

### Nomination, Remuneration and Donations Committee (NRC)

The Nomination and Remuneration and Donations Committee is newly formed to handle both the duties of the Nomination, Remuneration and Donation requests, primary duties and responsibilities are to:

- Identify persons qualified to become members of the Board and executive management of the Company;
- Make recommendations to the Board regarding candidates for Board membership to be included by the Board of Directors on the agenda for the next AGM;
- Review the Company's remuneration policies for the Board and executive management, and submit for approval to shareholders;
- Remunerate Board members based on their attendance and performance.
- Administer the performance evaluation process for the Board and Board Committees and executive management.
- The Donations Committee's primary duties and responsibilities covers, examining donation requests made to Batelco from time to time; determining whether to approve the donation requests; assess the quantum of the approved donation requests and overseeing the administration of the funding allocated by the Board for such donations.

### Nomination, Remuneration and Donations Committee Meetings

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 NRC met on 8 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Approval and recruitment of key Executives to the Bahrain and Group operation
- Review and discussion of the Succession planning plan for the organization
- Review and approval of company performance and bonus plan and KPI's
- Review and approval of Board self-assessment results and Board remuneration
- Approval of change of Directorship roles for Batelco Group operations and committees.
- Review and approval of Board travel and remuneration policies.
- Discussion and approval on annual committed donations
- Discussion and approval of budget and donation requests.

## CORPORATE GOVERNANCE (CONTINUED)

### Nomination, Remuneration and Donations Committee Meeting Attendance in 2017:

Members	19 Feb	21 Feb	19 Mar	4 Apr	24 May	25 May	5 Jul	5 Oct
Shaikh Mohamed Bin Khalifa al Khalifa (C)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Raed Fakhri (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Abdulrahman Fakhro (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Jean Christophe Durand (M)	☐	☐	☐	☐	☐	☐	☐	☐
Mr. Oliver McFall (PM)	☐	☐	☐	-	-	-	-	-
Mr. Abdul Razak Al Qassim (PM)	☐	☐	☒	-	-	-	-	-

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### National Broadband Network (NBN) Founding Committee

Oversee, support and direct the Batelco Group Executive Management Team to continue Batelco Group's discussion with the Bahrain Government regarding all key matters relating to a potential national broadband network. The board of directors resolved to dissolve this committee and formed a "NBNNetco" Board which handles the responsibilities of this committee.

### National Broadband Network (NBN) Founding committee meetings

During the year, the NBN Committee met on 1 occasion on the following dates and discussed the below mentioned significant items:

- Discussion and review of the requirements regarding the Bahrain Government's fourth National Telecommunications Plan
- Discussion and review of the timeline and tasks required to meet the Bahrain Government's fourth National Telecommunications Plan's objectives

### National Broadband Network (NBN) founding committee meeting attendance in 2017:

Members	10 Jan
Mr. Raed Fakhri (C)	☐
Mr. Arif Rahimi (M)	☐
Mr. Ahmed Al Hujairi (M)	☐

☐	Attended	☒	Did not attend
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C = Committee Chairman, M = Committee Member, PM= Previous Member

Appointment of New Board in AGM 29<sup>th</sup> March 2017

Directorship changes were executed 2<sup>nd</sup> April 2017

### Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to the Directors and all employees of the Company to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities in order to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies developed and implemented are in accordance with the applicable regulations and leading industry practice.

### Conflict of Interest

At all times, the Directors have a duty to avoid circumstances which may result in interests that conflict with those of the Company, unless that conflict is duly approved by the Board.

It is the obligation of the Board to assess, determine and authorize any such potential conflicts, taking into account all the circumstances.

This includes potential conflicts that may arise when a Director takes up a position with another company or when the Company enters into transactions or agreements in respect of which a Director or executive officer has a material interest.

Where the existing Director wishes to take up an external appointment, they are under an obligation to inform and obtain prior approval from the Board before doing so.

Each external appointment of the Director is considered by the Board individually, taking into account the expected time commitment and any relationships.

During the year, no issues of conflict of interest were experienced or authorized by the Board and no Director of the Board abstained from voting due to this reason.

### **Related Party Transactions and Directors Trading of Company Shares**

It is the policy and practice of the Company that all related party and intra-group 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.

By reason of being a listed Company, the Directors, executive management and the employees are eligible to trade in the shares of the Company and are monitored by relevant authority in the Company to ensure that no trade is made with the material information still not made public.

Please refer the note 29 (Transactions with Related Parties) of the financial statements for the details of related party transactions Directors trading of the Company shares during the year.

### **Internal Controls**

The Board has overall responsibility for ensuring that management maintains an effective system of internal control and for reviewing its effectiveness. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action.

Management is required to apply judgment in evaluating the risks in achieving the objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks materializing, in identifying the ability to reduce the incidence and impact on the business of risks that do materialize and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Throughout the year ended 31 December 2017, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Board regularly reviews these processes through its principal Board Committees. The effectiveness of controls is periodically reviewed within the business areas and regular reports are made to the Audit Committee by the Internal Audit Department.

### **Remuneration Policy for Directors**

The Company follows a transparent process with regards to the remuneration policy pertaining to the Directors in the Board.

The remuneration for the services rendered in the capacity of Director of the Company is based on the amount approved in last AGM recommended by the Board.

Any subsequent revisions to the remuneration will be based on the approval obtained from the shareholders in the next AGM.

The remuneration for Directors is principally based on the attendance in Board meetings, and are reduced on a pro-rata basis depending on actual attendance of Board meetings in the previous calendar year.

In addition to the above, the Company reimburses the Directors for all direct and indirect expenses, accommodation and travelling expenses, reasonably incurred during the term of their appointment.

Please refer the note 29 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

## CORPORATE GOVERNANCE (CONTINUED)

### Remuneration Policy for Management

The remuneration principles of the Company are based on the following principles:

- Attract and retain human resources with ability, talent, skill and knowledge to deliver quality
- Aligning the reward of employees with the returns of the shareholders
- Implement incentive framework which challenges employees to deliver sustained, high quality consistent performance at all times

The NRC is responsible for devising the remuneration policy for the executive management of the Company with an objective to achieve a balance between offering market competitive remuneration to retain talent, and optimizing current and future shareholder returns.

The NRC utilizes the analytical tools, qualitative and quantitative measures and comparative studies by experts to formulate remuneration and compensation packages for the management of the Company.

In addition to this, the Company has also 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 Supervisory Committee is responsible for administering the employee performance process.

Please refer the note 29 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

### Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

### Auditors

The Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

Details with regards to the audit and non-audit fees for the Parent Company Bahrain Telecommunications Company BSC as a legal entity are stated here below:

Audit Fees for 2017	BHD 84,800
Non-Audit Services Fees for 2017	BHD 39,408

KPMG Fakhro has been the Company's auditors since 1993. Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has not considered it necessary to change the external auditors.

The Audit Committee has recommended to the Board that the existing auditors, KPMG Fakhro, be reappointed.

KPMG Fakhro have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorizing the Directors to set their remuneration will be proposed in next AGM.



**Key Management Personnel**

<b>Ihab Hinnawi</b>	
Group Chief Executive Officer	Feb 2015
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Enterprise Division General Manager Batelco Jordan CEO Umniah Operations Director (2004-2007) Umniah Chief Executive Officer (2009- 2015)
Qualifications/Achievements	BA Business Administration
<b>Faisal Qamhiyah</b>	
Group Chief Financial Officer	2013
Joined Batelco	2012
Previous roles/Experience	Chief Financial Officer Umniah and Batelco Bahrain Chief Operating Officer – Zain Jordan Investments Director – Ern Capital Finance Director / CFO – Zain Jordan Group Internal Auditor – EDGO Group
Qualifications/Achievements	BA in Economics, CPA , EDP from Kellogg School of Management, USA.
<b>Muna Al Hashemi</b>	
Deputy Group Chief Executive Officer	Oct 2017
Joined Batelco	1990
Previous roles/Experience	Chief Executive Bahrain – Batelco Board Member- Umniah General Manager Consumer Division- Batelco Senior Manager, Mobile Product Marketing and Development- Batelco Senior Manager, Marketing & Branding and Segmentation- Batelco
Qualifications/Achievements	Msc. (Eng.) in Electronics & Communication BSc. (Honours) in Electrical & Electronic Engineering Associated Diploma in Electrical & Electronic Engineering

## CORPORATE GOVERNANCE (CONTINUED)

<b>Mohamed Bubashait</b> Batelco Bahrain Chief Executive Officer		<b>October 2017</b>
Joined Batelco	1999	
Previous roles/Experience	General Director, Bahrain Telecommunication Regulatory Authority (TRA) General Manager Products and Services, Bahrain Telecommunications Company (Batelco) General Manager Networks and IT Strategy, Bahrain Telecommunications Company (Batelco)	
Qualifications/Achievements	Executive Diploma from Darden Graduate School of Business Administration University of Virginia Post Graduate degree, MSc. Information & Communication Technology from Glasgow University. BSc. MATH & COMPUTER SCIENCE from University of Bahrain. Certified PRINCE 2, British standard for project management and competent PMP Program Manager.	
<b>Baha Tuncer</b> Batelco Bahrain Chief Financial Officer		<b>September 2017</b>
Joined Batelco	2017	
Previous roles/Experience	<ul style="list-style-type: none"> <li>• CFO at Vodafone Portugal</li> <li>• Head of Finance at Vodafone Group in the UK</li> <li>• Head of Finance at Vodafone Turkey</li> <li>• CFO at Lifecell Ukraine</li> <li>• Director of Corporate Finance Financial Audit for Siemens North America</li> </ul>	
Qualifications/Achievements	<ul style="list-style-type: none"> <li>• Bachelor Degree in Business Administration from Bosphorus University, Turkey</li> <li>• Financial Executives Programme by Marshall School of Business at University of Southern California</li> <li>• Certified Public Accountant (California, USA) and a Chartered Global Management Accountant.</li> </ul>	

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

BAHRAIN TELECOMMUNICATIONS COMPANY BSC

P.O. BOX 106, 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 2017, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity 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 2017, 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 Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 for the year ended 31 December 2017. 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 3 p) and disclosure in note 20 of the consolidated financial statements)

Description	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).</li> <li>• The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.</li> </ul>	<p>Our audit approach included controls testing and substantive procedures covering, in particular:</p> <ul style="list-style-type: none"> <li>• testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;</li> <li>• testing the controls and governance processes over reconciliation from business support systems to billing and rating systems to the general ledger;</li> <li>• performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills;</li> <li>• performing tests on allocation of revenue for bundled contracts and recognition of revenue on multi-period contracts;</li> <li>• performing tests on reasonableness of allocation and utilisation of deferred revenue representing undelivered service obligations; and</li> <li>• assessed whether the consolidated financial statements disclosures relating to revenue recognition were appropriate.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

## BAHRAIN TELECOMMUNICATIONS COMPANY BSC

### P.O. BOX 106, MANAMA, KINGDOM OF BAHRAIN

#### Carrying value of goodwill

(refer to the use of estimate and management judgement in note 6 and impairment policy in note 3 l(ii) of the consolidated financial statements)

Description	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group's consolidated financial statements includes recognised goodwill of BD 136.6 million which arose from the acquisition of subsidiaries.</p> <p>An assessment is required annually to establish whether this goodwill should continue to be recognised, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary 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 judgment and hence has been identified as a key area of audit focus.</p> <p>For the year ended 31 December 2017, impairment charge of BD 20 million was recognised related to goodwill in the Group's subsidiary in Jordan.</p>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• understanding of the group's budgeting process upon which the forecasts are based;</li> <li>• we involved our own valuation specialists to assist us in: <ul style="list-style-type: none"> <li>– evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; and</li> <li>– 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.</li> </ul> </li> <li>• assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for goodwill impairment were appropriate.</li> </ul>

#### Carrying value of investment in associate

(refer to the use of estimate and management judgement in note 8 and impairment policy in note 3 l(ii) and 4 a(ii) of the consolidated financial statements)

Description	How the matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>• The Group's investment in associate amounting to BD 34.8 million is situated in a geographical location which is currently considered unstable and high risk;</li> <li>• The impairment assessment is subjective and involves management judgement and estimates, in particular relating to the future prospects of the investee, the continuing operations and expected benefits from the business; and</li> <li>• For the year ended 31 December 2017, a impairment charge of BD 30 million was recognised related to its investment in associates (Sabafon).</li> </ul>	<p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• evaluating the group's basis of developing forecasts for an investee under stress;</li> <li>• we involved our own valuation specialists to assist us in: <ul style="list-style-type: none"> <li>– evaluating the appropriateness of the methodology used by the Group to assess impairment of carrying value of investments in associate; and</li> <li>– evaluating key inputs and assumptions in cash flow projections used by the Group as well as our own assessments of investee specific circumstances and experience in the related geography, in particular its derivation of revenues, margins, discount rates and expected long term growth rates.</li> </ul> </li> <li>• assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment of investment in associate were appropriate.</li> </ul>

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

## BAHRAIN TELECOMMUNICATIONS COMPANY BSC

### P.O. BOX 106, MANAMA, KINGDOM OF BAHRAIN

#### Capitalisation and useful lives of property and equipment and other intangible assets

(refer to accounting policy in notes 3 c) and 3 g) and disclosures in note 5 and 7 of the consolidated financial statements)

Description	How the matter was addressed in our audit
<p>We focused on this area because there are a number of areas where management judgement impacts the carrying value of property and equipment and other intangible assets and their respective depreciation/ amortisation profiles. These include:</p> <ul style="list-style-type: none"> <li>• The decision to capitalise or expense costs;</li> <li>• The annual asset life review including the impact of changes in the Group's strategy; and</li> <li>• The timeliness of the transfer from assets in the course of construction/ deployment.</li> </ul>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>• we tested controls in place over the fixed asset cycle, and acquisition of other intangible assets, evaluated the appropriateness of capitalisation policies and assessed the timeliness of the transfer of assets in the course of construction;</li> <li>• we assessed the nature of costs incurred in capital projects through testing of amounts recorded and assessing whether the description of the expenditure met capitalisation criteria;</li> <li>• 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</li> <li>• assessed whether the consolidated financial statements disclosures relating to capitalisation and useful life of property and equipment and other intangible assets were appropriate.</li> </ul>

#### Other information

The board of directors is responsible for the other information. The other information comprises information in the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of our auditor's report, we obtained the report of the board of directors 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 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 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 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 financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

## BAHRAIN TELECOMMUNICATIONS COMPANY BSC

### P.O. BOX 106, MANAMA, KINGDOM OF BAHRAIN

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 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.

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, related safeguards.

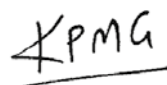
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless 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

As required by the Bahrain Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
- b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, the Bahrain Bourse rules and procedures 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.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.



**KPMG Fakhro**

Partner registration number 137

22 February 2018

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

BD'000

	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	274,764	264,827
Goodwill	6	136,602	155,053
Other intangible assets	7	134,469	140,486
Investment in associate	8	34,836	68,806
Deferred tax assets	14	7,534	6,394
Post-employment benefit assets	25	3,597	3,532
Other investments	9	41,592	43,424
<b>Total non-current assets</b>		<b>633,394</b>	682,522
<b>Current assets</b>			
Inventories		7,895	4,347
Trade and other receivables	10	132,509	91,660
Cash and bank balances	11	158,703	172,406
<b>Total current assets</b>		<b>299,107</b>	268,413
<b>Total assets</b>		<b>932,501</b>	950,935
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables	12	6,110	5,858
Loans and borrowings	15	221,254	226,271
Deferred tax liabilities	14	13,837	14,867
<b>Total non-current liabilities</b>		<b>241,201</b>	246,996
<b>Current liabilities</b>			
Trade and other payables	12	171,892	158,886
Loans and borrowings	15	16,941	8,085
<b>Total current liabilities</b>		<b>188,833</b>	166,971
<b>Total liabilities</b>		<b>430,034</b>	413,967
<b>Net assets</b>		<b>502,467</b>	536,968
<b>EQUITY</b>			
Share capital	16	166,320	166,320
Statutory reserve	17	84,116	84,116
General reserve	17	45,890	45,890
Foreign currency translation reserve		(13,223)	(21,437)
Investment fair value reserve		(26,767)	(26,870)
Post-employment benefit actuarial reserve	25	(5,665)	(5,399)
Retained earnings		211,212	250,241
<b>Total equity attributable to equity holders of the Company</b>		<b>461,883</b>	492,861
Non-controlling interest		40,584	44,107
<b>Total equity (Page 73)</b>		<b>502,467</b>	536,968

The consolidated financial statements, which consist of pages 70 to 108 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:

**Mohammed bin Khalifa Al Khalifa**  
Chairman

**Abdulrahman Yusuf Fakhro**  
Deputy Chairman

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



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

	Note	2017	2016
<b>REVENUE</b>	20	<b>379,446</b>	367,132
<b>EXPENSES</b>			
Network operating expenses	21	(147,699)	(135,518)
Staff costs		(58,461)	(56,083)
Voluntary employee retirement program cost	13	(8,050)	-
Depreciation and amortization		(66,319)	(69,863)
Impairment loss on trade receivables	10	(1,979)	(1,657)
Other operating expenses	22	(38,549)	(38,640)
<b>Total expenses</b>		<b>(321,057)</b>	(301,761)
<b>Results from operating activities</b>		<b>58,389</b>	65,371
Finance income		5,062	4,638
Finance expenses		(12,172)	(12,426)
Other income (net)	23	19,889	227
Loss on investments	24	(51,249)	(10,000)
Share of loss from associate (net)	8	(3,970)	-
<b>Profit before taxation</b>		<b>15,949</b>	47,810
Income tax expense	14	(2,709)	(1,688)
<b>Profit for the year</b>		<b>13,240</b>	46,122
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		8,220	(17,864)
Fair value changes (debt securities)		145	1,408
		<b>8,365</b>	(16,456)
<i>Items that will never be reclassified to profit or loss</i>			
Fair value changes (equity securities)		(42)	(5,936)
Re-measurement of defined benefit asset including related tax	25	(266)	(794)
		<b>(308)</b>	(6,730)
<b>Other comprehensive income, net of tax</b>		<b>8,057</b>	(23,186)
<b>Total comprehensive income for the year</b>		<b>21,297</b>	22,936
<b>Profit for the year attributable to:</b>			
Equity holders of the Company		3,491	37,639
Non-controlling interest		9,749	8,483
		<b>13,240</b>	46,122
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		11,543	14,463
Non-controlling interest		9,754	8,473
		<b>21,297</b>	22,936
<b>Basic and diluted earnings per share (Fils)</b>	26	<b>2.10</b>	22.6

The consolidated financial statements, which consist of pages 70 to 108 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:

**Mohammed bin Khalifa Al Khalifa**  
Chairman

**Abdulrahman Yusuf Fakhro**  
Deputy Chairman

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

	Note	2017	2016
<b>OPERATING ACTIVITIES</b>			
Results from operating activities		<b>58,389</b>	65,371
<b>Adjustment for:</b>			
Depreciation and amortisation		66,319	69,863
Impairment loss on trade receivables		1,979	1,657
		<b>126,687</b>	136,891
<b>Working capital changes:</b>			
(Increase)/decrease in trade and other receivables		(13,139)	6,292
(Increase)/decrease in inventories		(3,463)	77
Decrease in trade and other payables		(5,368)	(1,452)
<b>Cash generated from operating activities</b>		<b>104,717</b>	141,808
Taxes paid		(5,809)	(6,020)
Payment to charities		(2,087)	(618)
<b>Net cash from operating activities</b>		<b>96,821</b>	135,170
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, equipment and intangibles		(54,193)	(72,554)
Net cash for purchase of other investments		(4,430)	(849)
Interest and investment income received		5,563	4,645
<b>Net cash used in investing activities</b>		<b>(53,060)</b>	(68,758)
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(54,858)	(51,616)
Interest paid		(10,890)	(11,208)
Borrowings (net)		3,699	7,959
<b>Net cash used in financing activities</b>		<b>(62,049)</b>	(54,865)
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(18,288)</b>	11,547
Cash and cash equivalents at 1 January		114,611	103,064
<b>Cash and cash equivalents at 31 December</b>	11	<b>96,323</b>	114,611

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

Equity attributable to equity holders of the Company											
2017	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2017		166,320	84,116	45,890	(21,437)	(26,870)	(5,399)	250,241	492,861	44,107	536,968
<b>Profit for the year</b>		-	-	-	-	-	-	<b>3,491</b>	<b>3,491</b>	<b>9,749</b>	<b>13,240</b>
<b>Other comprehensive income</b>											
Foreign currency translation differences		-	-	-	8,214	-	-	1	8,215	5	8,220
Investment fair value changes		-	-	-	-	103	-	-	103	-	103
Remeasurement of defined benefit liability including related tax	25	-	-	-	-	-	(266)	-	(266)	-	(266)
<b>Total other comprehensive income</b>		-	-	-	<b>8,214</b>	<b>103</b>	<b>(266)</b>	<b>1</b>	<b>8,052</b>	<b>5</b>	<b>8,057</b>
<b>Total comprehensive income for the year</b>		-	-	-	<b>8,214</b>	<b>103</b>	<b>(266)</b>	<b>3,492</b>	<b>11,543</b>	<b>9,754</b>	<b>21,297</b>
<b>Contributions and distributions</b>											
Final dividends declared for 2016	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2016		-	-	-	-	-	-	(941)	(941)	-	(941)
Interim dividends declared for 2017	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(13,277)	(13,277)
<b>Total contributions and distributions</b>		-	-	-	-	-	-	<b>(42,521)</b>	<b>(42,521)</b>	<b>(13,277)</b>	<b>(55,798)</b>
<b>At 31 December 2017</b>		<b>166,320</b>	<b>84,116</b>	<b>45,890</b>	<b>(13,223)</b>	<b>(26,767)</b>	<b>(5,665)</b>	<b>211,212</b>	<b>461,883</b>	<b>40,584</b>	<b>502,467</b>

Equity attributable to equity holders of the Company											
2016	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2016		166,320	84,116	45,890	(3,580)	(2,488)	(4,605)	242,180	527,833	45,220	573,053
Impact on early adoption of IFRS 9		-	-	-	-	(19,854)	-	13,237	(6,617)	-	(6,617)
Balance as restated		166,320	84,116	45,890	(3,580)	(22,342)	(4,605)	255,417	521,216	45,220	566,436
<b>Profit for the year</b>		-	-	-	-	-	-	<b>37,639</b>	<b>37,639</b>	<b>8,483</b>	<b>46,122</b>
<b>Other comprehensive income</b>											
Foreign currency translation differences		-	-	-	(17,857)	-	-	3	(17,854)	(10)	(17,864)
Investment fair value changes		-	-	-	-	(4,528)	-	-	(4,528)	-	(4,528)
Remeasurement of defined benefit liability including related tax	25	-	-	-	-	-	(794)	-	(794)	-	(794)
<b>Total other comprehensive income</b>		-	-	-	<b>(17,857)</b>	<b>(4,528)</b>	<b>(794)</b>	<b>3</b>	<b>(23,176)</b>	<b>(10)</b>	<b>(23,186)</b>
<b>Total comprehensive income for the year</b>		-	-	-	<b>(17,857)</b>	<b>(4,528)</b>	<b>(794)</b>	<b>37,642</b>	<b>14,463</b>	<b>8,473</b>	<b>22,936</b>
<b>Contributions and distributions</b>											
Final dividends declared for 2015	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2015		-	-	-	-	-	-	(1,238)	(1,238)	-	(1,238)
Interim dividends declared for 2016	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(9,586)	(9,586)
<b>Total contributions and distributions</b>		-	-	-	-	-	-	<b>(42,818)</b>	<b>(42,818)</b>	<b>(9,586)</b>	<b>(52,404)</b>
<b>At 31 December 2016</b>		<b>166,320</b>	<b>84,116</b>	<b>45,890</b>	<b>(21,437)</b>	<b>(26,870)</b>	<b>(5,399)</b>	<b>250,241</b>	<b>492,861</b>	<b>44,107</b>	<b>536,968</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 1. REPORTING ENTITY

Bahrain Telecommunications Company BSC ("the Company", "the Parent") is a public shareholding company registered under commercial registration number 11700 in the Kingdom of Bahrain in the year 1981 and is engaged in the provision of public telecommunications and associated products and services. The consolidated financial statements for the year ended 31 December 2017 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows.

Company	Country of incorporation	Principal activity	Share Holding (%)
<b>Subsidiaries</b>			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
NBNETCO B.S.C.(c)	Kingdom of Bahrain	Telecommunication services	100
Batelco International Company BSC (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
QualityNet General Trading and Contracting Company WLL	State of Kuwait	Telecommunication services	90
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 (formerly BTC South Atlantic Limited)	United Kingdom	Holding Company	100
<b>Associate</b>			
Yemen Company for Mobile Telephony Y.S.C ("Sabafon")	Republic of Yemen	Telecommunication services	26.94

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 2. BASIS OF PREPARATION

### a) Statement of compliance

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

### b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for measurement of certain investment securities and contingent consideration in a business combination that are stated at their fair values.

### c) Functional and presentation currency

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

### d) Use of estimates and judgments

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

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

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

• Note 3 p)	Revenue recognition including allocation of revenue from bundled contracts
• Note 3 l) (i) & 4 a) (i)	Impairment test for trade receivable: key assumptions underlying expected credit losses
• Note 3 o) & 14	Recognition of deferred tax assets: availability of future taxable profits against which carry forward tax losses can be used
• Note 3 l) (ii) 6 & 8	Impairment of non-financial assets: measurement of the recoverable amounts of cash-generating units and investment in associates
• Note 3 m) (iv) & 25	Measurement of defined benefit obligations: key actuarial assumptions
• Note 3 c), 3 g), 5 & 7	Capitalisation and useful lives of property, plant and equipment and other intangible assets

### e) Amendments and interpretations effective from 1 January 2017

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Group:

#### v. Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017.

To satisfy the new disclosure requirements, the Group has presented reconciliation between the opening and closing balances for liabilities with changes arising from financing activities (Refer Note 19).

#### vi. Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1 January 2017.

The adoption of these amendment had no significant impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 2. BASIS OF PREPARATION (CONTINUED)

### e) Amendments and interpretations effective from 1 January 2017 (CONTINUED)

#### i. Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs, which apply prospectively for annual periods beginning on or after 1 January 2017.

The adoption of these amendments had no significant impact on the consolidated financial statements.

### f) New Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017 except for early adoption of IFRS 9 and amendments to IAS 28 in consolidated financial statements for the year ended 31 December 2016 and 31 December 2017 respectively, those which are relevant to the Group are set out below. The Group does not plan to early adopt any of these standards.

#### i. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the cumulative effect method. As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

The estimated impact of the adoption of IFRS 15 on the Group's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below.

	As at 31 December 2017	Estimated adjustments due to adoption of IFRS 15	Estimated adjusted opening balance at 1 January 2018
Retained earnings	211,212	1,585	212,797

The primary differences arose from allocation of Standalone Selling Price's (SSP) to components of bundled contracts and recognition of contract cost assets. The above assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 15 on 1 January 2018 may change because:

- IFRS 15 will require the Group to revise its accounting process, system changes and internal controls and these changes are yet to complete;
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group presents its first financial statements that include the date of initial application.

#### ii. IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 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. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group is currently assessing the potential impact on its consolidated financial statements resulting from IFRS 16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 2. BASIS OF PREPARATION (CONTINUED)

### f) New Standards, amendments and interpretations issued but not yet effective (CONTINUED)

#### iii. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### a) Basis of consolidation

#### i. Business combinations

The Group accounts for its business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in acquisition is measured at its fair value, as are the identifiable net assets acquired.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

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

Transaction costs are expensed as incurred, except where these relate to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the date of acquisition. If contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

#### 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 effectively ceases.

#### iii. Non-controlling interests (NCI)

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a) Basis of consolidation (Continued)

#### 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. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

#### v. Investment in associates

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

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

#### vi. Transactions eliminated on consolidation

All material intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### b) Foreign currency

#### i. Foreign currency transactions

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

#### ii. Financial statements of foreign operations

The assets and liabilities including goodwill and fair value adjustments arising on acquisition of the Group's subsidiaries and associates based outside the Kingdom of Bahrain ("foreign operations") are translated into Bahraini Dinars at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year. Exchange differences arising on translation of foreign operations are recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve. 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 such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated income statement as part of the gain or loss on disposal.

### c) Property and equipment

#### i. Recognition and measurement

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) 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 costs

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. Impairment

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

#### iv. Depreciation

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

Asset class	Estimated useful life (Years)
Buildings	5 - 40
Network assets & telecom equipment	2 - 25
Motor vehicles, furniture, fittings & office equipment	2 - 10

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

### d) Investment property

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

### e) Leased assets

#### i. Finance leases

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

#### ii. Operating leases

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

### f) Goodwill

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g) Other intangible assets

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

#### i. Recognition and measurement

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

#### ii. Amortisation

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

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

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

### h) Financial assets and financial liabilities

#### 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.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### ii. Classification

##### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or 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.

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 as 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 other investments (debt and equity) which are carried at either FVTPL or FVOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Financial assets and financial liabilities (Continued)

#### 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.

#### Financial liabilities

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

#### iii. Derecognition

##### Financial assets

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Financial assets and financial liabilities (Continued)

A financial asset (in whole or in part) is derecognised when the rights to receive cash flows from the asset have expired 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.

#### 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 expire.

### iv. Other investments under IFRS 9

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 revenue 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.

### i) 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.

### j) Inventories

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

### k) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### l) Impairment

#### i. Financial 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.

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"). 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Employee benefits

#### i. Local employees

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

#### ii. Expatriate employees

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

#### iii. Defined benefit scheme

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or 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.

#### iv. 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.

#### v. 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.

#### vi. 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.

### n) Borrowing cost

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

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### o) 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.

### p) Revenue

Revenue represents the value of fixed or determinable consideration received or receivable for telecommunication products and services provided. Revenue is recognised, net of discounts and sales taxes, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably. The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, installation and activation fees, equipment sales and other related services.

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

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

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

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

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer. In revenue arrangements from bundled contracts include more than one deliverable that have value to a customer on stand-alone basis, the arrangement consideration is allocated to each deliverable based on their fair values.

### q) 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.

### r) Segment reporting

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### s) Fair value measurement for financial instrument

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.

### t) 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.

## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The Group has established an Audit Committee which is assisted by Group's Internal Audit Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has also established a centralised Group treasury function which works under the overall supervision of the Board of Directors of the Group and provides support to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### a) Credit risk

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

#### i. Trade receivables

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 residential customers.

The Group establishes an allowance for impairment that represents its estimate of life time expected losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets aggregated based on customer segment and days past due. For receivables from telecom operators and government accounts, 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 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 (refer to note 10).

#### ii. Other receivables and long term financing to an associate

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. The Group has gross maximum exposure to other receivables of BD 84.7 million (2016: BD 58.9 million) and has recognized cumulative credit impaired life-time ECL impairment allowances amounting to BD 35.1 million (2016: BD 31.7 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions is adequate. Long-term financing to associate forms part of the carrying value of the investment in that associate.

#### iii. Investments and cash and bank balances

The Group manages credit risk on its investments and cash and bank balances by ensuring that these are made only after credit evaluation of the issuer. Term deposits are placed with commercial banks after credit evaluation of those banks and considering their external credit ratings. The Group limits its exposure to credit risk by investing in liquid securities, which offers low risk returns.

As majority of investment are exposures to the domestic sovereign and no credit loss is expected to materialise on the date of initial application. The calculated expected credit loss of cash and bank balances is not material for recognition purposes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### a) Credit risk (Continued)

#### 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:

	2017	2016
Trade receivables – customer accounts	33,674	29,399
Unbilled revenue – customer accounts	24,785	18,270
Total Trade receivables -- customer accounts	58,459	47,669
Trade receivables – telecom operators	16,075	9,660
Other receivables	49,579	27,229
Long term financing to an associate	-	2,206
Other investments	34,527	35,593
Cash at bank	158,703	172,406
	<b>317,343</b>	294,763

	2017		2016	
	Gross carrying amount	Specific Life-time ECL, credit impaired	Gross carrying amount	Specific Life-time ECL, credit impaired
<b>Trade receivables – Telecom operators</b>				
Externally rated				
Low risk (BBB- to AAA)	6,283	(235)	3,270	(219)
Medium risk (B- to BB+)	5,922	(462)	5,205	(1,200)
Higher risk (below C)	-	-	-	-
Unrated	6,156	(1,589)	3,884	(1,280)
	<b>18,361</b>	<b>(2,286)</b>	12,359	(2,699)

Movement in impairment allowance in respect of trade receivables during the year are as follows.

	2017			2016		
	Collective life-time ECL,	Specific life-time ECL, credit impaired	Total	Collective life-time ECL,	Specific life-time ECL, credit impaired	Total
Balance at 1 January	1,385	23,318	24,703	1,125	27,414	28,539
Amounts written off	-	(1,418)	(1,418)	-	(5,418)	(5,418)
Net loss allowance	824	1,155	1,979	265	1,392	1,657
Foreign exchange and other movements	-	(83)	(83)	(5)	(70)	(75)
Balance at 31 December	<b>2,209</b>	<b>22,972</b>	<b>25,181</b>	1,385	23,318	24,703

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

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### a) Credit risk (Continued)

#### v. Customers' accounts (including unbilled revenue)

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

	2017	2016
<b>Operating segment</b>		
Bahrain	36,163	25,679
Jordan	8,335	10,776
Maldives	6,423	4,716
Sure	2,934	2,997
Other countries	4,604	3,501
	<b>58,459</b>	47,669

#### Customers' accounts

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

	2017	2016
<b>Customer segment</b>		
Consumer	26,388	18,207
Enterprise	21,170	16,148
Others	3,804	7,720
	<b>51,362</b>	42,075
Government	7,097	5,594
	<b>58,459</b>	47,669

	2017			2016		
	Gross exposure	Life-time ECL	Credit Impaired	Gross exposure	Life-time ECL	Credit Impaired
Current (0 – 30 days)	36,239	(406)	No	27,121	(103)	No
31 – 90 days	9,258	(1,048)	No	8,591	(881)	No
91 – 365 days	8,329	(3,396)	Yes	8,325	(4,651)	Yes
More than 1 year	18,641	(16,255)	Yes	17,759	(14,086)	Yes
<b>Balance as at 31 December</b>	<b>72,467</b>	<b>(21,105)</b>		61,796	(19,721)	

Consumer, enterprise and other receivables balances that are past due for more than 90 days are considered to be in default and credit impaired. Government accounts are provided for based on specific assessment and are net of expected credit losses provision of BD 1,790 thousand (2016: BD 2,283 thousand)

#### vi. Amounts due from telecommunications operators

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

	2017	2016
<b>Customer segment</b>		
International operators	12,168	6,961
Local operators	3,907	2,699
	<b>16,075</b>	9,660

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### b) Liquidity risk

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

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

<b>Non-derivative financial liabilities at 31 December 2017</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within one year</b>	<b>1-2 Years</b>	<b>More than two years</b>
Trade payables	38,655	38,655	38,655	-	-
Accrued expenses and other payables	77,335	77,335	77,335	-	-
Amount due to telecommunications operators	14,067	14,067	14,067	-	-
Loans and borrowings	238,195	257,968	24,519	17,307	216,142
	<b>368,252</b>	<b>388,025</b>	<b>154,576</b>	<b>17,307</b>	<b>216,142</b>
<b>Non-derivative financial liabilities at 31 December 2016</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within one year</b>	<b>1-2 Years</b>	<b>More than two years</b>
Trade payables	31,346	31,346	31,346	-	-
Accrued expenses and other payables	82,412	82,412	82,412	-	-
Amount due to telecommunications operators	9,947	9,947	9,947	-	-
Loans and borrowings	234,356	280,224	18,157	19,559	242,508
	<b>358,061</b>	<b>403,929</b>	<b>141,862</b>	<b>19,559</b>	<b>242,508</b>

### c) Market risk

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

#### i. Currency risk

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

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

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

#### ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from bank deposits and debt securities during 2017 was 3.02% (2016: 2.76%).

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### b) Liquidity risk (Continued)

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

	2017	2016
<b>Fixed rate instruments</b>		
Financial assets	43,684	50,042
Financial liabilities	177,472	181,915
<b>Variable rate instruments</b>		
Financial assets	117,440	116,430
Financial liabilities	60,723	52,441

#### Fair value sensitivity analysis for fixed rate instruments

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

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 1,662 (2016: BD 1,164). 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 (refer Note 9). 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.

#### d) Capital management

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### e) Accounting classification of financial instruments

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

	At amortised cost	Fair value through OCI	Fair value through profit or loss	Total carrying amount
<b>31 December 2017</b>				
<b>Financial assets</b>				
Other investments at fair value	-	41,488	104	41,592
Trade receivables	49,749	-	-	49,749
Other receivables	49,579	-	-	49,579
Unbilled revenue	24,785	-	-	24,785
Cash and bank balances	158,703	-	-	158,703
	<b>282,816</b>	<b>41,488</b>	<b>104</b>	<b>324,408</b>
<b>Financial liabilities</b>				
Trade payables	38,655	-	-	38,655
Accrued expense and other payables	75,208	-	2,127	77,335
Amounts due to telecommunications operators	14,067	-	-	14,067
Loans and borrowings	238,195	-	-	238,195
	<b>366,125</b>	<b>-</b>	<b>2,127</b>	<b>368,252</b>
<b>31 December 2016</b>				
<b>Financial assets</b>				
Other investments at fair value	-	42,598	826	43,424
Trade receivables	39,059	-	-	39,059
Other receivables	27,229	-	-	27,229
Unbilled revenue	18,270	-	-	18,270
Cash and bank balances	172,406	-	-	172,406
	256,964	42,598	826	300,388
<b>Financial liabilities</b>				
Trade payables	31,346	-	-	31,346
Accrued expense and other payables	80,309	-	2,103	82,412
Amounts due to telecommunications operators	9,947	-	-	9,947
Loans and borrowings	234,356	-	-	234,356
	<b>355,958</b>	<b>-</b>	<b>2,103</b>	<b>358,061</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 4. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### f) Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortised cost except for certain investments (refer Note 3 (h)) which are carried at fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

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

#### Fair value hierarchy

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

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

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

	Fair value			Total fair value	Total carrying amount
	Level 1	Level 2	Level 3		
<b>31 December 2017</b>					
<b>Financial assets at fair value through Profit and Loss (FVTPL)</b>					
Other investments	-	-	104	104	104
<b>Financial assets at fair value through OCI</b>					
Other investments	41,488	-	-	41,488	41,488
<b>Financial liabilities not measured at fair value</b>					
Loans and borrowings	175,849	-	60,724	236,573	238,195
<b>Financial liabilities measured at fair value</b>					
Contingent consideration (Other Payables)	-	-	2,127	2,127	2,127
<b>31 December 2016</b>					
<b>Financial assets at fair value through Profit and Loss (FVTPL)</b>					
Other investments	-	-	826	826	826
<b>Financial assets at fair value through OCI</b>					
Other investments	42,031	-	567	42,598	42,598
<b>Financial liabilities not measured at fair value</b>					
Loans and borrowings	177,926	-	57,215	235,141	234,356
<b>Financial liabilities measured at fair value</b>					
Contingent consideration (Other Payables)	-	-	2,103	2,103	2,103

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 5. PROPERTY AND EQUIPMENT

	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2017
<b>31 December 2017</b>					
<b>Cost</b>					
At 1 January	82,642	518,309	43,328	38,062	682,341
Additions	1	11,960	502	43,053	55,516
Projects completed	274	22,549	2,862	(25,685)	-
Disposals	(113)	(11,083)	(4,564)	(50)	(15,810)
Effect of movements in exchange rates	498	3,080	2,103	268	5,949
<b>At 31 December</b>	<b>83,302</b>	<b>544,815</b>	<b>44,231</b>	<b>55,648</b>	<b>727,996</b>
<b>Depreciation</b>					
At 1 January	53,293	335,302	28,919	-	417,514
Charge for the year	1,290	41,629	4,371	-	47,290
Disposals	(52)	(10,616)	(4,393)	-	(15,061)
Effect of movements in exchange rates	189	1,814	1,486	-	3,489
<b>At 31 December</b>	<b>54,720</b>	<b>368,129</b>	<b>30,383</b>	<b>-</b>	<b>453,232</b>
<b>Net book value At 31 December 2017</b>	<b>28,582</b>	<b>176,686</b>	<b>13,848</b>	<b>55,648</b>	<b>274,764</b>

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

	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2016
<b>31 December 2016</b>					
<b>Cost</b>					
At 1 January	84,563	533,300	49,670	29,665	697,198
Additions	217	18,450	445	36,685	55,797
Projects completed	389	23,651	3,500	(27,540)	-
Disposals	(1,502)	(50,538)	(5,636)	-	(57,676)
Effect of movements in exchange rates	(1,025)	(6,554)	(4,651)	(748)	(12,978)
<b>At 31 December</b>	<b>82,642</b>	<b>518,309</b>	<b>43,328</b>	<b>38,062</b>	<b>682,341</b>
<b>Depreciation</b>					
At 1 January	53,926	345,495	33,494	-	432,915
Charge for the year	1,307	41,570	4,195	-	47,072
Disposals	(1,497)	(47,918)	(5,591)	-	(55,006)
Effect of movements in exchange rates	(443)	(3,845)	(3,179)	-	(7,467)
<b>At 31 December</b>	<b>53,293</b>	<b>335,302</b>	<b>28,919</b>	<b>-</b>	<b>417,514</b>
<b>Net book value At 31 December 2016</b>	<b>29,349</b>	<b>183,007</b>	<b>14,409</b>	<b>38,062</b>	<b>264,827</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 6. GOODWILL

	2017	2016
At 1 January	155,053	168,826
Exchange rate adjustments	1,549	(3,773)
Impairment charge during the year	(20,000)	(10,000)
<b>At 31 December</b>	<b>136,602</b>	155,053

### a) Analysis of Goodwill

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

	2017	2016
Jordan	91,200	111,600
Maldives	21,871	21,871
Sure	23,494	21,548
Others	37	34
	<b>136,602</b>	155,053

### 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 has been determined based on fair values less costs to sell. Fair values less costs to sell are 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 values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations range between 8.5% to 12%.
- (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 assessed to be lower than its carrying value by BD 20 million (2016: BD 10 million) and accordingly an impairment loss has been recognised in 2017 in respect of goodwill allocated to the Jordan CGU. For Maldives, Sure and other locations, recoverable amounts exceed the carrying value by a comfortable range. Refer note on segment reporting (note 31) for details of net assets (including goodwill and intangibles) attributable to each CGU.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 7. OTHER INTANGIBLE ASSETS

31 December 2017	Licenses	Others	Total
<b>Cost</b>			
At 1 January	163,975	93,897	257,872
Additions during the year	1,361	8,825	10,186
Disposals during the year	(1,436)	(988)	(2,424)
Effect of movements in exchange rates	2,796	2,157	4,953
<b>At 31 December</b>	<b>166,696</b>	<b>103,891</b>	<b>270,587</b>
<b>Amortisation</b>			
At 1 January	56,574	60,812	117,386
Charge for the year	11,136	7,893	19,029
Disposals during the year	(1,436)	(988)	(2,424)
Effect of movements in exchange rates	858	1,269	2,127
<b>At 31 December</b>	<b>67,132</b>	<b>68,986</b>	<b>136,118</b>
<b>Net book value</b>			
<b>At 31 December 2017</b>	<b>99,564</b>	<b>34,905</b>	<b>134,469</b>

31 December 2016	Licenses	Others	Total
<b>Cost</b>			
At 1 January	170,108	92,981	263,089
Additions during the year	-	7,127	7,127
Disposals during the year	-	(1,810)	(1,810)
Effect of movements in exchange rates	(6,133)	(4,401)	(10,534)
<b>At 31 December</b>	<b>163,975</b>	<b>93,897</b>	<b>257,872</b>
<b>Amortisation</b>			
At 1 January	47,070	52,909	99,979
Charge for the year	10,956	9,941	20,897
Disposals during the year	-	(1,810)	(1,810)
Impairment	-	1,894	1,894
Effect of movements in exchange rates	(1,452)	(2,122)	(3,574)
<b>At 31 December</b>	<b>56,574</b>	<b>60,812</b>	<b>117,386</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>107,401</b>	<b>33,085</b>	<b>140,486</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 8. INVESTMENT IN ASSOCIATE

The Group has a 26.943% interest in Yemen Company for Mobile Telephony Y.S.C ("Sabafon"). The principal activities of the Company are to develop, install and operate GSM cellular telephone network and to sell cellular telephone services and accessories in Yemen. The Group has determined that it has significant influence because it has representation on Sabafon's Board of Directors.

The following table analyses the carrying amount and share of loss during the year:

	2017	2016
At 1 January	68,806	76,324
Adjustment on early adoption of IFRS 9	-	(6,617)
Share of loss of associate (net)	(3,970)	-
Foreign exchange loss on loan receivable (net)	-	(901)
Impairment	(30,000)	-
<b>At 31 December</b>	<b>34,836</b>	<b>68,806</b>

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2017; 2016: unaudited and as of 30 November 2016) is as follows:

	2017	2016
Non-current assets	74,973	75,427
Current assets	70,177	88,579
Non-current liabilities	(61,776)	(59,712)
Current liabilities	(61,024)	(73,795)
Revenues	61,223	64,493
Net loss for the period	(859)	(1,308)
Dividends received by the Group	-	-

During 2017, the Group assessed impairment of the associate due to the uncertainty associated with the on-going situation in Yemen. The recoverable amount has been assessed at higher of fair value less cost of disposal and value-in-use basis. The assessment was made based on time required for the business and economy to stabilize and projected future business plans for a period of 5 years assuming normalized operations around its historical level. The post-tax discount rates used for the calculation is 14 % taking into consideration the uncertainty over amount and timing of future cash flows, uncertainty inherent in the asset, illiquidity and other factors reflected in valuing the expected future cash flows. The Group also considered the business potential, market conditions, sustainable margins and future cash flows that the Company would be able to generate in the projection period.

The impairment assessment indicated that the carrying value exceeded the recoverable amount at 31 December 2017 by BD 30 million and hence the Group has recorded impairment loss in respect of the investment in associate. The carrying value of the associate included long-term interest in the form of a loan of BD 8.8 million which has been fully impaired.

## 9. OTHER INVESTMENTS

	2017	2016
At fair value through other comprehensive income		
- Debt securities (at FVOCI)	34,527	35,593
- Equity securities (at FVOCI)	6,961	7,005
- Equity securities (at FVTPL)	104	826
	<b>41,592</b>	<b>43,424</b>

Debt securities comprise the Group's investment in Bahrain Sovereign Bonds rated BB- as at 31 December 2017. These bonds have maturity dates ranging from 2020 to 2023 and carry a fixed semi-annual coupon interest ranging from 5.5% to 6.125% per annum on the face value.

Equity securities include BD 6.9 million representing market value of equity investment in Etihad Atheeb Telecommunications Company ("the investee"), a company listed on Saudi Stock Exchange. In 2017, the market value of the investment declined by BD 0.04 million (2016: BD 5.9 million), which was recognised in Other Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**10. TRADE AND OTHER RECEIVABLES**

	<b>2017</b>	2016
Trade receivables	74,930	63,762
Less impairment allowance	(25,181)	(24,703)
	<b>49,749</b>	39,059
Unbilled revenue	24,785	18,270
Prepaid expenses and other receivables	57,975	34,331
	<b>132,509</b>	91,660

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

	<b>2017</b>	2016
Customers' accounts	33,674	29,399
Telecommunications operators	16,075	9,660
	<b>49,749</b>	39,059

The movement on the allowance for impairment was as follows:

	<b>2017</b>	2016
At 1 January	24,703	28,539
Impairment loss recognised during the year	1,979	1,657
Effect of movements in exchange rates	(83)	(75)
Written off during the year	(1,418)	(5,418)
At 31 December	<b>25,181</b>	24,703

The impairment allowances as at 31 December 2016 and 2017 represent life-time ECL on trade receivables.

**11. CASH AND BANK**

	<b>2017</b>	2016
Cash in hand	2,591	416
Cash at bank	156,112	171,990
	<b>158,703</b>	172,406

Cash and bank include BD 62,380 (2016: BD 57,795) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded for the purposes of statement of cash flows.

**12. TRADE AND OTHER PAYABLES**

	<b>2017</b>	2016
Trade payables	38,655	31,346
Amounts due to telecommunications operators	14,067	9,947
Provisions, accrued expenses and other payables (note 13)	92,278	95,087
Customer deposits and billings in advance	30,227	25,471
Current tax liability	2,775	2,893
	<b>178,002</b>	164,744

Trade and other payables are classified as follows:

	<b>2017</b>	2016
Current liabilities	171,892	158,886
Non-current liabilities	6,110	5,858
	<b>178,002</b>	164,744

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 13. 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 provision		Asset retirement obligation	
	2017	2016	2017	2016
At 1 January	-	-	3,781	3,345
Amounts provided during the year	8,050	-	141	436
Amounts paid during the year	(5,698)	-	-	-
<b>At 31 December</b>	<b>2,352</b>	-	<b>3,922</b>	3,781

During the year, the Board of Directors approved a voluntary employee retirement program to restructure the operations in line with its strategy. Accordingly, the Group has recognised provision of BD 8.05 million for expected costs of this program, of which BD 5.7 million has been utilised during the year and BD 2.35 million has been carried forward as at 31 December 2017. The program is expected to be completed in 2018.

## 14. INCOME TAXES

Amounts recognised in profit or loss for the year

	2017	2016
Current tax expense	5,775	5,710
Deferred tax expense	(3,066)	(4,022)
<b>Tax expense for the year</b>	<b>2,709</b>	1,688

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 % (2016: 0 %). The table below reconciles the difference between the expected tax expense of nil (2016: 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

	2017	2016
Profit before tax	15,949	47,810
Corporation tax rate of 0 % in Bahrain (2016: 0 %)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,709	1,688
<b>Tax expense for the year</b>	<b>2,709</b>	1,688
<b>Profit after tax for the year</b>	<b>13,240</b>	46,122

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

	2017	2016
At 1 January	14,867	19,195
Credit to the consolidated income statement	(1,850)	(2,494)
Exchange differences	820	(1,834)
<b>At 31 December</b>	<b>13,837</b>	14,867

The recognised deferred tax asset of BD 7,534 (2016: BD 6,394) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Channel Islands jurisdictions.

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## 15. LOANS AND BORROWINGS

		2017	2016
<b>a) Current</b>			
Term financing from a bank	(i)	9,730	4,370
Vendor financing	(ii)	1,055	2,118
Overdraft liabilities	(iii)	6,156	1,597
		<b>16,941</b>	8,085
<b>b) Non-current</b>			
Term financing from a bank	(i)	43,782	48,071
Vendor financing	(ii)	-	1,059
Bonds	(iv)	177,472	177,141
		<b>221,254</b>	226,271
		<b>238,195</b>	234,356

- (i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 53.5 million outstanding as of 31 December 2017) 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 2017, BD 9.7 million of the outstanding amount was classified under current liabilities being due within the next 12 months;
- (ii) Vendor financing was obtained by a group company for a total amount of BD 4.2 million (of which BD 1.1 million remains outstanding as of 31 December 2017). The facility bears an interest rate of 3.00% per annum and is due to be settled by 2018. As of 31 December 2017, all of the outstanding amount was classified under current liabilities being due within the next 12 months;
- (iii) A Group company has obtained overdraft facilities to support its working capital needs. The interest rate on these facilities range from 5.6 % to 6 % p.a. The undrawn overdraft limits as at 31 December amounted to BD 2.9 million (2016:BD 2.9 million); and
- (iv) The Group has outstanding long term bonds with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years maturing in 2020, 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.

## 16. SHARE CAPITAL

	2017	2016
<b>a) Authorised</b>		
2,000 (2016: 2,000) million shares of 100 fils each	<b>200,000</b>	200,000
<b>b) Issued and fully paid:</b>		
1,663 (2016: 1,663) million shares of 100 fils each	<b>166,320</b>	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

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## 16. SHARE CAPITAL (CONTINUED)

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1%	282,342	10,730	17
1% up to less than 5%	100,543	3	6
5% up to less than 10%	-	-	-
10% up to less than 20%	-	-	-
20% up to less than 50%	1,280,315	3	77
	<b>1,663,200</b>	<b>10,736</b>	<b>100</b>

## 17. STATUTORY AND GENERAL RESERVE

### a) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires all companies incorporated in Bahrain to transfer 10 % of net profit for the year to a statutory reserve, until such reserve reaches a minimum of 50 % of the paid-up capital. 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.

As statutory reserve equal to 50% of the paid-up share capital has been created, no additional transfer of profit has been made during the year.

### 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 2017 by the shareholders of the Company or any other company within the Group.

## 18. DIVIDENDS

The dividends paid in 2017 and 2016 were BD 41.6 million (25 Fils per share). The dividends paid in 2017 include an amount of BD 24.9 million relating to the final dividend for the year ended 31 December 2016 and interim dividend (subject to AGM ratification) of BD 16.6 million for the year 2017. The total dividend in respect of the year ended 31 December 2017 of 25 Fils per share (including BD 38.1 million from retained earnings), amounting to BD 41.6 million (including final dividend of BD 24.9 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 29 March 2018. These financial statements do not reflect the final dividend payable.

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

	Liabilities			Equity			
	Bank overdrafts used for cash management purposes	Other loans and borrowings	Share capital	Retained earnings	Other reserves	NCI	Total
Balance at 1 January 2017	1,597	232,759	166,320	250,241	76,300	44,107	771,324
Changes from financing cash flows							
Borrowings (net)	4,573	(874)	-	-	-	-	3,699
Dividend paid	-	-	-	(41,581)	-	(13,277)	(54,858)
Total changes from financing cash flows	4,573	(874)	-	(41,581)	-	(13,277)	(51,159)
Effect of changes in foreign exchange rates	(14)	(175)	-	1	8,214	5	8,031
Liability-related other changes	-	329	-	1	-	-	330
Equity-related changes	-	-	-	2,550	(163)	9,749	12,136
<b>Balance at 31 December 2017</b>	<b>6,156</b>	<b>232,039</b>	<b>166,320</b>	<b>211,212</b>	<b>84,351</b>	<b>40,584</b>	<b>740,662</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 20. REVENUE

	2017	2016
Mobile telecommunications services	198,468	189,656
Data communication circuits	61,850	66,538
Fixed broadband	54,854	47,478
Wholesale	16,452	18,179
Fixed line telecommunication services	25,836	25,900
Others	21,986	19,381
	<b>379,446</b>	367,132

## 21. NETWORK OPERATING EXPENSES

	2017	2016
Outpayments to telecommunications operators	50,004	48,272
Cost of sales of equipment and services	56,993	46,748
Repair, maintenance & other direct cost	22,347	22,187
License fee	6,899	7,148
Operating lease rentals	11,456	11,163
	<b>147,699</b>	135,518

## 22. OTHER OPERATING EXPENSES

	2017	2016
Marketing, advertising and publicity	14,693	13,451
IT operations and maintenance	5,948	4,300
Professional fees	2,583	2,650
Office rental and utilities	6,580	5,953
Other expenses	8,745	12,286
	<b>38,549</b>	38,640

## 23. OTHER INCOME (NET)

During the year, the Group swapped one of its existing land plots classified as "Property and Equipment" with a government agency in consideration of land plots with value similar to the market price of the land given up. The Group has recognised the asset at the fair value of the land given up. Accordingly, the Group has recognised a gain of BD 23.7 million, which is included under "other income".

## 24. LOSS ON INVESTMENTS

		2017	2016
Impairment loss on goodwill related to a subsidiary	6	(20,000)	(10,000)
Impairment loss on investment in associate	8	(30,000)	-
Impairment loss on other investments (FVOCI debt)		(567)	-
Fair value changes (equity investment at FVTPL)		(682)	-
		<b>(51,249)</b>	(10,000)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 25. POST-EMPLOYMENT BENEFIT ASSETS

### a) Defined benefit scheme

At 31 December 2017, 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.

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

	2017			2016		
	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	15,009	18,541	(3,532)	16,264	20,474	(4,210)
<i>Included in profit or loss</i>						
Interest costs/ (income)	405	501	(96)	539	681	(142)
Expense costs	-	(139)	139	-	(109)	109
Settlement credit	(69)	(32)	(37)	(2,421)	(1,728)	(693)
	<b>336</b>	<b>330</b>	<b>6</b>	(1,882)	(1,156)	(726)
<i>Included in OCI</i>						
Actuarial changes arising from:						
- demographic assumptions	(276)	-	(276)	-	-	-
- financial assumptions	597	-	597	3,760	-	3,760
- experience adjustments	5	-	5	(174)	-	(174)
Return on plan assets excluding interest income	-	60	(60)	-	2,792	(2,792)
Movements in exchange rates	1,405	1,739	(334)	(2,442)	(3,196)	754
	<b>1,731</b>	<b>1,799</b>	<b>(68)</b>	1,144	(404)	1,548
<i>Other</i>						
Contributions paid by employer	-	3	(3)	-	144	(144)
Benefits paid	(502)	(502)	-	(517)	(517)	-
<b>At 31 December</b>	<b>16,574</b>	<b>20,171</b>	<b>(3,597)</b>	15,009	18,541	(3,532)

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

	2017	2016
Interest income on benefit obligation	(96)	(142)
Expense cost	139	109
Settlement credit	(37)	(693)
	<b>6</b>	(726)

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

	2017	2016
Equities	-	2,981
Bonds	3,912	3,488
Diversified growth fund	-	5,131
Others	16,259	6,941
	<b>20,171</b>	18,541

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 25. POST-EMPLOYMENT BENEFIT ASSETS (CONTINUED)

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

Assumptions	2017	2016
Price inflation	3.45%	3.6%
Discount rate	2.40%	2.6%
Pension increases	3.45%	3.6%
Life expectancy of male aged 60 in 2017	28.1	28.1
Life expectancy of male aged 60 in 2037	30.4	30.5

### b) Defined Contribution plan

The provision for leaving indemnity in respect of expatriate employees amounted to BD 4.1 million (2016: BD 3.8 million) and is included under provisions and accrued expenses. The Group has recognised BD 0.7 million (2016: BD 1.1 million) as an expense for leaving indemnity in respect of expatriate employees.

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.3 million (2016: BD 3.6 million).

## 26. EARNINGS PER SHARE ("EPS")

	2017	2016
Profit for the year attributable to equity holders of the Company	3,491	37,639
Weighted average number of shares outstanding during the year (in million)	1,663	1,663
Basic earnings per share (Fils)	2.10	22.6

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

## 27. COMMITMENTS AND CONTINGENCIES

### a) Capital commitments

The Group has capital commitments at 31 December 2017 amounting to BD 17.9 million (2016: BD 11.7 million).

### b) Contingent liabilities

The Group is involved in discussions relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 1.5 million (2016: Nil). The Group is currently of the view that there are no legitimate grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

### c) Guarantees

- (i) As at 31 December 2017, the Group's banks have issued guarantees, amounting to BD 4.8 million (2016: BD 4.5 million) and letters of credit amounting to BD 7.3 million (2016: 0.9 million).
- (ii) The Group has furnished a guarantee for BD 3.0 million (2016: BD 3.7 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.
- (iii) The Group has furnished a comfort letter for BD 1.9 million (2016: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 27. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### d) Operating leases

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

	2017	2016
Future minimum lease payments		
Within one year	2,794	2,540
After one year but not more than five years	6,425	6,078
More than five years	6,415	6,061
	<b>15,634</b>	14,679

### e) 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% (2016: 75 %) of the loan interest. At 31 December 2017, the Company has an outstanding guarantee of BD 0.8 million (2016: BD 1.0 million) towards housing loans to staff.

## 28. NON-CONTROLLING INTEREST (NCI)

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

Entity	2017		2016	
	QualityNet	Dhiraagu	QualityNet	Dhiraagu
NCI Share	<b>10%</b>	<b>48%</b>	10%	48 %
Non-current assets (excluding goodwill)	7,180	77,465	7,503	77,549
Current assets	23,443	27,411	22,173	35,530
Non-current liabilities	(2,188)	(7,883)	(1,767)	(8,073)
Current liabilities	(20,292)	(17,716)	(18,987)	(19,044)
<b>Net assets</b>	<b>8,143</b>	<b>79,277</b>	8,922	85,962
Carrying amount of NCI	814	38,053	892	41,262
Revenue	27,578	64,064	28,221	61,157
<b>Profit &amp; total comprehensive income</b>	<b>3,370</b>	<b>20,090</b>	4,764	17,129
Profit allocated to NCI	337	9,643	476	8,222
Cash flows from operating activities	3,282	24,589	4,996	29,008
Cash used in investing activities	(772)	(8,145)	(1,054)	(6,280)
Cash used in financing activities, before dividends to NCI	(3,832)	(14,384)	(4,938)	(11,271)
Cash used in financing activities - cash dividends to NCI	(426)	(12,851)	(549)	(9,457)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,748)</b>	<b>(10,791)</b>	(1,545)	2,000

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 29. 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:

	<b>2017</b>	2016
Short-term employee benefits	2,279	2,413
Post-employment benefits	275	251
Total key management personnel compensation	<b>2,554</b>	2,664
	<b>2017</b>	2016
Post-employment benefits outstanding	165	251
Directors remuneration (including sitting fees)	642	621

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

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

	<b>2017</b>	2016
Total number of shares held by Directors	324,682	1,041,217
As a percentage of the total number of shares issued	0.02%	0.06%

## 30. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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## 31. SEGMENT INFORMATION

### Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, Sure Group and Others. Others include Kuwait, Yemen and other group operations. Segment information disclosed for the year ended 31 December 2017 is as follows:

	year ended 31 December 2017						Inter-segment elimination	Total
	Bahrain	Jordan	Maldives	Sure Group	Others			
Segment revenue & profit								
Revenue (external customers)	156,200	80,661	64,064	54,204	24,317	-	379,446	
Inter segment revenues	588	895	-	-	3,271	(4,754)	-	
Depreciation and amortisation	(22,583)	(21,440)	(9,774)	(11,247)	(1,275)	-	(66,319)	
Finance expenses	(8,552)	(3,339)	(766)	(130)	-	615	(12,172)	
Finance income	5,205	8	243	139	84	(617)	5,062	
Other income (net)	27,271	51	463	(88)	-	(7,808)	19,889	
Impairment of goodwill and other investments	(1,249)	(20,000)	-	-	(30,000)	-	(51,249)	
Share of loss from associate (net)	-	-	-	-	(3,970)	-	(3,970)	
<b>Profit for the year</b>	<b>50,396</b>	<b>(25,714)</b>	<b>20,090</b>	<b>2,563</b>	<b>(34,072)</b>	<b>(23)</b>	<b>13,240</b>	

	year ended 31 December 2016						Inter-segment elimination	Total
	Bahrain	Jordan	Maldives	Sure Group	Others			
Segment revenue & profit								
Revenue (external customers)	151,257	74,633	61,157	54,622	25,463	-	367,132	
Inter segment revenues	1,458	1,015	-	-	2,778	(5,251)	-	
Depreciation and amortisation	(21,532)	(20,570)	(12,982)	(13,388)	(1,391)	-	(69,863)	
Finance expenses	(8,540)	(3,095)	(1,280)	(127)	-	616	(12,426)	
Finance income	4,528	26	452	198	72	(638)	4,638	
Other income (net)	8,812	(19)	49	54	(901)	(7,768)	227	
Impairment of goodwill and other investments	-	(10,000)	-	-	-	-	(10,000)	
Share of loss from associate (net)	-	-	-	-	-	-	-	
<b>Profit for the year</b>	<b>43,262</b>	<b>(15,461)</b>	<b>17,129</b>	<b>2,247</b>	<b>(1,025)</b>	<b>(30)</b>	<b>46,122</b>	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 31. SEGMENT INFORMATION (CONTINUED)

Segment assets & liabilities	As at 31 December 2017						Total
	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	
Non-current assets	179,926	230,427	99,336	107,263	42,016	(25,574)	633,394
Current assets	208,087	21,564	27,411	27,896	32,454	(18,305)	299,107
<b>Total assets</b>	<b>388,013</b>	<b>251,991</b>	<b>126,747</b>	<b>135,159</b>	<b>74,470</b>	<b>(43,879)</b>	<b>932,501</b>
Current liabilities	143,550	59,074	17,716	10,684	21,110	(63,301)	188,833
Non-current liabilities	188,979	60,648	7,883	9,043	2,187	(27,539)	241,201
<b>Total liabilities</b>	<b>332,529</b>	<b>119,722</b>	<b>25,599</b>	<b>19,727</b>	<b>23,297</b>	<b>(90,840)</b>	<b>430,034</b>

Segment assets & liabilities	As at 31 December 2016						Total
	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	
Non-current assets	171,460	255,412	99,420	106,802	76,308	(26,880)	682,522
Current assets	169,835	17,516	35,526	19,797	34,586	(8,847)	268,413
<b>Total assets</b>	<b>341,295</b>	<b>272,928</b>	<b>134,946</b>	<b>126,599</b>	<b>110,894</b>	<b>(35,727)</b>	<b>950,935</b>
Current liabilities	110,016	61,213	19,040	10,865	19,739	(53,902)	166,971
Non-current liabilities	185,512	53,103	8,073	9,181	1,767	(10,640)	246,996
<b>Total liabilities</b>	<b>295,528</b>	<b>114,316</b>	<b>27,113</b>	<b>20,046</b>	<b>21,506</b>	<b>(64,542)</b>	<b>413,967</b>

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

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