Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

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Bahrain Telecommunications Company BSC

CHAIRMAN'S REPORT
For the year ended 31 December 2016

On behalf of the Board of Directors, it gives me great pleasure to present the 35th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates ("Batelco Group"), for the year ended 31st December 2016.

For the full year 2016, Batelco Group reported gross revenues and EBITDA in line with the prior year despite competitive pressure across its key markets.

Gross revenues for the year were BD367.1 million (US$973.7 million) compared to BD372.4 million (US$987.8 million) the previous year, a marginal decrease of 1%. Similarly EBITDA of BD135.2 million (US$358.6 million) experienced a slight decline of 2% compared to the prior year. The Group continues to maintain its robust EBITDA margin, with 37% margin reported at the end of 2016.

The Group ended the year with net profit of BD37.6 million (US$99.7 million) compared to BD49.5 million (US$131.3 million) reported in 2015, a 24% year over year decline. The reduced net profits for the period are mainly impacted by an impairment loss on goodwill related to the Group's operation in Jordan.

Nonetheless, the Group's balance sheet and financial position remain resilient and as of 31st December 2016, net assets were BD537.0 million (US$1,424.4 million) with substantial cash and bank balances of BD172.4 million (US$457.3 million). Earnings per share for the full year in 2016 stood at 22.6 fils.

Financial and Operational Highlights

- Gross revenues of BD367.1 million (US$973.7 million) for the year;
- EBITDA of BD135.2 million (US$358.6 million) representing a 37% margin;
- Consolidated net profit of BD37.6 million (US$99.7 million) for the year;
- Markets outside of Bahrain contribute 59% of revenues and 52% of EBITDA;
- Subscriber base of 9.4 million, an increase of 4% YoY;
- Substantial cash and bank balances of BD172.4 million (US$457.3 million); and
- EPS of 22.6 fils and recommended dividends of BD 41.6 million (US$ 110.3 million) for the full year, equivalent to 25 fils per share, marking the Group's ongoing ability to deliver strong value and returns to shareholders.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2016.

BD millions	**2016**	2015
Final cash dividends proposed	24.95	24.95
Interim cash dividends paid	16.63	16.63
Donations at 2.5%	0.94	1.24
Transfer to statutory reserve	Nil	0.96

The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD 41.6 million (US$ 110.3 million), at a value of 25 fils per share, of which 10 fils per share was already paid during the third quarter of 2016 with the remaining 15 fils to be paid in cash following the AGM in March 2017.

Market conditions in Bahrain and across a number of the Group operations are challenging due to the world's economic climate in general and also due to the vibrant nature of the communications industry which is experiencing a powerful shift as all players strive to gain a strong foothold in the world of digitisation.

However, in spite of decreased profits, we are encouraged to note that subscriber numbers are up by 4% year over year. The upswing in customer numbers is attributed to our investments in new networks including fibre and our efforts to strengthen our digital solutions portfolio. We are responsive to changes in our environment which helps us shape a flexible and sustainable business model and accordingly, we are optimistic that our subscriber base will continue to grow and ultimately boost the bottom line as a result of our plans going forward.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2017.

Reaching out to our Community

Alongside Batelco's investments that support the economic growth and development of the Kingdom of Bahrain, the Company also invests in the local community through a highly reputable Corporate Social Responsibility programme.

During 2016 over BD1.6 Million was committed as part of Batelco's CSR programme with the aim of making a positive difference in the lives of all citizens. Among the sponsorships for 2016 was the Ironman 70.3 Middle East Championship, as part of Batelco's commitment to Sports events. Extensive support is also given to Health, Education and Arts/Cultural programmes. Among the Health initiatives is annual support provided to Shaikh Mohammed Bin Khalifa Bin Salman Al Khalifa Cardiac Centre. The Crown Prince Scholarship programme is a major annual benefactor under the Education umbrella while Batelco's annual support towards Arts/Cultural initiatives includes support for the Bahrain Historical & Archaeological Society.

Appreciation for those who Support us

On behalf of the Board of Directors I extend grateful appreciation to Shaikh Hamad bin Abdulla Al Khalifa, Batelco's Chairman from 2006 until December 2016. Shaikh Hamad's vision and dedicated leadership was unmatched and all at Batelco Group are indebted to him. Under his leadership Batelco grew from being a regional operation into an internationally reputed organisation and a leader in the local communications industry.

Batelco is very fortunate to benefit from the ongoing support of the Kingdom of Bahrain's leadership and their commitment to the development of the communications industry. Accordingly, on behalf of all members of the Batelco team, 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.

On a personal note, I offer grateful thanks to the Board of Directors, Management and Staff throughout the Group for the very warm welcome and messages of support that I have received upon joining Batelco Group as Chairman.

The Batelco Group's executive teams and strong network of employees across all markets are the heart and soul of the organisation and their enthusiasm and commitment deserves much praise. I look forward with enthusiasm to working closely with both the Board and executive management.

I am confident that all teams are fully prepared with solid plans in place to face all operational and competitive challenges in the months ahead of us. While we have a number of strategic plans that cross the whole Group, each operation also has specific plans in place to cater to the unique needs of its customers and geographic locations. In the Batelco Group, we operate globally in order to deliver locally.

Across the Group we reward our customers' loyalty by keeping in line with international market trends to ensure we deliver the products and services that support their communication requirements and improve their lifestyles. We are most appreciative that our customers continue to choose our offerings in markets that have such a vast range of choices.

CHAIRMAN'S REPORT
For the year ended 31 December 2016

Much appreciation is also due to Batelco's shareholders for their continuous support and confidence in our strategic plans. Our goal is to drive shareholder value through sharpening our focus on group wide synergies aimed at enhancing performance in all markets of operation.

Looking Ahead with Confidence

Going forward, we will focus on our strengths based on the excellent reputation we have established in the home market of Bahrain and also across our overseas markets via our joint ventures.

Our objectives are geared towards making substantial progress with our strategic plans in order to exceed customer expectations and enhance their experience while boosting profitability and positioning Batelco Group as a top tier and leading integrator of digital solutions in its chosen markets.

Throughout the Batelco Group, our aspiration is to achieve operational excellence. That is central to our goal to drive sustainable revenue growth and deliver value for our stakeholders.

Mohammed bin Khalifa Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC
February 22nd 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Telecommunications Company BSC
PO 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 2016, 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 2016, 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 2016. 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.

Early adoption of IFRS 9
(refer to note 2 e) to the consolidated financial statements)

Description	How the matter was addressed in our audit
The Group has early adopted IFRS 9: *Financial Instruments* effective 1 January 2016. The impact of implementation of the new accounting standard is significant due to change in classification and measurement of certain financial assets and new accounting policies for measurement of expected credit losses. Due to the judgment involved to determine appropriate parameters and assumptions used in implementation of the standard, this is one of the key areas that our audit was focused on.	*Classification and measurement:* We have evaluated management assessment of classification of its equity and debt securities by reference to the relevant requirements of applicable accounting standards. *Expected credit losses:* We have checked the appropriateness of the new accounting policies in line with our understanding of the current exposures and risk profile of the Group's receivables and other financial assets. We challenged the expected credit loss calculations for trade receivables and certain loan exposures including use of appropriate methodology and inputs for calculations of expected credit losses. *Disclosures:* We have tested the adjustments made to the opening retained earnings as well as current period adjustments for application of the revised accounting policies. We also assessed the adequacy of the Group's disclosure in relation to early adoption of IFRS 9 by reference to the requirements of relevant accounting standards

Revenue recognition
(refer to the accounting policies in note 3 p) and disclosure in note 20 of the consolidated financial statements)

Description

We focused on this area because:

— 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.).

— The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.

How the matter was addressed in our audit

Our audit approach included controls testing and substantive procedures covering, in particular:

— 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;

— testing the controls and governance processes over end-to-end reconciliation from business support systems to billing and rating systems to the general ledger;

— 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;

— performing tests on allocation of revenue for bundled contracts and recognition of revenue on multi-period contracts; and

— performing tests on reasonableness of allocation and utilisation of deferred revenue representing undelivered service obligations

— assessed whether the consolidated financial statements disclosures relating to revenue recognition were appropriate.

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

Description

As at 31 December 2016, the Group's consolidated financial statements includes recognised goodwill of BD 155 million which arose from the acquisition of its subsidiaries.

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.

For the year ended 31 December 2016, a impairment charge of BD 10 million was recognised related to goodwill in the Group's subsidiary in Jordan.

How the matter was addressed in our audit

Our audit procedures, amongst others, included:

— understanding of the group's budgeting procedures upon which the forecasts are based;

— we involved our own valuation specialists to assist us in:

  - evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; and

  - evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, long term growth rates, revenue and EBITDA margins and comparing progress against stated business plans.

— assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for goodwill impairment were appropriate.

Carrying value of investment in associate
(refer to the use of estimate and management judgement in note 2 e), impairment policy in note 3 I(iii) and note 8 of the consolidated financial statements)

Description	How the matter was addressed in our audit
We focused on this area because: - The Group's investment in associate amounting to BD 68.8 million is situated in a geographical location which is currently considered unstable and high risk; - The Group has discontinued recognition of its share of profits; - 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	Our audit procedures, amongst others, included: — evaluating the group's basis of developing forecasts for an investee under stress; — we involved our own valuation specialists to assist us in: ▪ evaluating the appropriateness of the methodology used by the Group to assess impairment of carrying value of investments in associate; and ▪ evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related geography, in particular its derivation of revenues, margins, discount rates and expected long term growth rates. — assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment of investment in associate were appropriate.

Capitalisation and useful lives of property and equipment and other intangible assets
(refer to accounting policy in notes 3 c) and 3 f) and disclosures in note 5 and 7 of the consolidated financial statements)

Description	How the matter was addressed in our audit
We focused on this area because there are a number of areas where management judgement impacts the carrying value of property and equipment and other intangible assets and their respective depreciation/ amortisation profiles. These include: - The decision to capitalise or expense costs; - The annual asset life review including the impact of changes in the Group's strategy; and - The timeliness of the transfer from assets in the course of construction/ deployment.	Our procedures, amongst others, included: — 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; — 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; and — 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. — assessed whether the consolidated financial statements disclosures relating to capitalisation and useful life of property and equipment and other intangible assets were appropriate.

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.

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.

Independent Auditors' Report To The Shareholders (Continued)
Bahrain Telecommunication Company BSC
22 February 2017

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 2016 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 directors' 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 CBB Capital Markets Regulations and associated resolutions, 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

KPMG Fakhro
Partner registration number 137
22 February 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016 BD'000

	Note	**2016**[1]	2015
ASSETS			
Non-current assets			
Property and equipment	5	264,827	264,283
Goodwill	6	155,053	168,826
Other intangible assets	7	140,486	163,110
Investment in associate	8	68,806	76,324
Deferred tax assets	14	6,394	4,905
Post-employment benefit assets	25	3,532	4,210
Other investments	9	43,424	48,597
Total non-current assets		**682,522**	730,255
Current assets			
Inventories		4,347	4,607
Trade and other receivables	10	91,660	110,158
Cash and bank balances	11	172,406	159,962
Total current assets		**268,413**	274,727
Total assets		**950,935**	1,004,982
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	5,858	5,010
Loans and borrowings	15	226,271	222,469
Deferred tax liabilities	14	14,867	19,195
Total non-current liabilities		**246,996**	246,674
Current liabilities			
Trade and other payables	12	158,886	181,743
Loans and borrowings	15	8,085	3,512
Total current liabilities		**166,971**	185,255
Total liabilities		**413,967**	431,929
Net assets		**536,968**	573,053
EQUITY			
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		(21,437)	(3,580)
Investment fair value reserve	19	(26,870)	(2,488)
Post-employment benefit actuarial reserve		(5,399)	(4,605)
Retained earnings		250,241	242,180
Total equity attributable to equity holders of the Company		**492,861**	527,833
Non-controlling interest		44,107	45,220
Total equity (Page 12 - 13)		**536,968**	573,053

[1] December 2016 results reflect the adoption of IFRS 9. Prior periods have not been restated. Refer note 2(e) for further details.

The consolidated financial statements, which consist of pages 9 to 62 were approved by the Board of Directors on 22 February 2017 and signed on its behalf by:

Mohammed bin Khalifa Al Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 BD'000

	Note	**2016**[1]	**2015**
REVENUE	20	**367,132**	372,428
EXPENSES			
Network operating expenses	21	(135,518)	(136,252)
Staff costs		(56,083)	(53,004)
Depreciation and amortization		(69,863)	(67,789)
Impairment loss on trade receivables	10	(1,657)	(3,983)
Other operating expenses	22	(38,640)	(41,243)
Total expenses		**(301,761)**	(302,271)
Results from operating activities		**65,371**	70,157
Finance and other income	23	5,850	6,538
Finance and other expenses	24	(13,411)	(11,842)
Impairment loss on available-for-sale investments [1]		-	(3,062)
Impairment loss on goodwill	6	(10,000)	(3,600)
Share of (loss)/ profit of associate (net)	8	-	531
Profit before taxation		**47,810**	58,722
Income tax expense	14	(1,688)	(1,877)
Profit for the year		**46,122**	56,845
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		(17,864)	(6,664)
Fair value changes (IAS 39: available-for-sale assets)[1]		-	(4,961)
Fair value changes (IFRS 9: debt securities)	19	1,408	-
Net fair value changes transferred to profit or loss on impairment		-	3,062
		(16,456)	(8,563)
Items that will never be reclassified to profit or loss			
Fair value changes (IFRS 9: equity securities)[1]	19	(5,936)	-
Re-measurement of defined benefit asset including related tax	25	(794)	(2,312)
		(6,730)	(2,312)
Other comprehensive income, net of tax		**(23,186)**	(10,875)
Total comprehensive income for the year		**22,936**	45,970
Profit for the year attributable to:			
Equity holders of the Company		37,639	49,512
Non-controlling interest		8,483	7,333
		46,122	56,845
Total comprehensive income for the year attributable to:			
Equity holders of the Company		14,463	38,579
Non-controlling interest		8,473	7,391
		22,936	45,970
Basic and diluted earnings per share (Fils)	26	**22.6**	29.8

[1] December 2016 results reflect the adoption of IFRS 9. Prior periods have not been restated. Refer note 2 e) for further details.

The consolidated financial statements, which consist of pages 9 to 62 were approved by the Board of Directors on 22 February 2017 and signed on its behalf by:

Mohammed bin Khalifa Al-Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

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

Bahrain Telecommunications Company BSC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

BD'000

	Note	2016	2015
OPERATING ACTIVITIES			
Results from operating activities		65,371	70,157
Adjustment For:			
Depreciation and amortisation		69,863	67,789
		135,234	137,946
Working capital changes:			
Decrease in trade and other receivables		7,949	8,144
Decrease/ (increase) in inventories		77	(443)
Decrease in trade and other payables		(1,452)	(6,929)
Cash generated from operating activities		**141,808**	138,718
Taxes paid		(6,020)	(8,029)
Payment to charities		(618)	(1,720)
Net cash from operating activities		**135,170**	128,969
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(72,554)	(93,944)
Purchase of available-for-sale bonds		-	(18,580)
Net cash for purchase of other investments		(849)	(2,386)
Interest and investment income received		4,645	3,535
Net cash used in investing activities		**(68,758)**	(111,375)
FINANCING ACTIVITIES			
Dividend paid		(51,616)	(50,248)
Interest paid		(11,208)	(9,204)
Borrowings (net)		7,959	49,190
Net cash used in financing activities		**(54,865)**	(10,262)
Increase in cash and cash equivalents		**11,547**	7,332
Cash and cash equivalents at 1 January		103,064	95,732
Cash and cash equivalents at 31 December	11	**114,611**	103,064

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

BD'000

2016	Note	Equity attributable to equity holders of the Company								Non - controlling interest	Total equity
		Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total		
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	2(e)	-	-	-	-	(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**
Profit for the year		-	-	-	-	-	-	**37,639**	**37,639**	**8,483**	**46,122**
Other comprehensive income											
Foreign currency translation differences		-	-	-	(17,857)	-	-	3	(17,854)	(10)	(17,864)
Investment fair value changes	19	-	-	-	-	(4,528)	-	-	(4,528)	-	(4,528)
Remeasurement of defined benefit liability including related tax	25	-	-	-	-	-	(794)	-	(794)	-	(794)
Total other comprehensive income		-	-	-	**(17,857)**	**(4,528)**	**(794)**	**3**	**(23,176)**	**(10)**	**(23,186)**
Total comprehensive income for the year		-	-	-	**(17,857)**	**(4,528)**	**(794)**	**37,642**	**14,463**	**8,473**	**22,936**
Contributions and distributions											
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)
Total contributions and distributions		-	-	-	-	-	-	**(42,818)**	**(42,818)**	**(9,586)**	**(52,404)**
At 31 December 2016		**166,320**	**84,116**	**45,890**	**(21,437)**	**(26,870)**	**(5,399)**	**250,241**	**492,861**	**44,107**	**536,968**

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 2016

BD'000

2015	Note	Equity attributable to equity holders of the Company									
		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 2015		166,320	83,160	46,464	3,056	(589)	(2,293)	235,950	532,068	46,990	579,058
Profit for the year		-	-	-	-	-	-	49,512	49,512	7,333	56,845
Other comprehensive income											
Foreign currency translation differences		-	-	-	(6,636)	-	-	(86)	(6,722)	58	(6,664)
Fair value changes	19	-	-	-	-	(4,961)	-	-	(4,961)	-	(4,961)
Net fair value change transferred to profit or loss on impairment (IAS 39: debt and equity)	19	-	-	-	-	3,062	-	-	3,062	-	3,062
Remeasurement of defined benefit liability including related tax	25	-	-	-	-	-	(2,312)	-	(2,312)	-	(2,312)
Total other comprehensive income		-	-	-	(6,636)	(1,899)	(2,312)	(86)	(10,933)	58	(10,875)
Total comprehensive income for the year		-	-	-	(6,636)	(1,899)	(2,312)	49,426	38,579	7,391	45,970
Contributions and distributions											
Final dividends declared for 2014	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2014		-	-	-	-	-	-	(1,234)	(1,234)	-	(1,234)
Transfer to statutory reserve (net)		-	956	-	-	-	-	(956)	-	-	-
Transfer from general reserve	17(b)	-	-	(574)	-	-	-	574	-	-	-
Interim dividends declared for 2015	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(9,161)	(9,161)
Total contributions and distributions		-	956	(574)	-	-	-	(43,196)	(42,814)	(9,161)	(51,975)
At 31 December 2015		166,320	84,116	45,890	(3,580)	(2,488)	(4,605)	242,180	527,833	45,220	573,053

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

For the year ended 31 December 2016 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 2016 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows.

Company	**Country of incorporation**	**Principal activity**	**Share Holding (%)**
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
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	Diego Garcia	Telecommunication services	100
Sure South Atlantic Limited	South Atlantic	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 South Atlantic Limited	United Kingdom	Holding Company	100
Associate			
Yemen Company for Mobile Telephony Y.S.C ("Sabafon")	Republic of Yemen	Telecommunication services	26.94

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. As explained in Note 2(e), the Group has early adopted IFRS 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2016.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for measurement of 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 significant areas of assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and critical judgements in applying accounting policies on the amounts recognised in the financial statements are described in the following notes:

- Note 3 p) — Revenue recognition including allocation of revenue from bundled contracts
- Note 3 h) & 9 — Valuation of financial instruments including determination of fair values: based on valuation techniques
- Note 3 l) (i) & 4 a) — Impairment test for financial assets: 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) (iii) 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 f), 5 & 7 — Capitalsation and useful lives of property, plant and equipment and other intangible assets

e) **Early Adoption of IFRS 9 *Financial Instruments***

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has early adopted IFRS 9 with a date of initial application of 1 January 2016. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 *Presentation of Financial Statements* which requires presentation of impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Group's approach was to include impairment of trade receivables in "other operating expenses" and impairment of other financial assets at amortised cost in "Finance and other expenses". Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosure about 2016 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). For debt securities and financial receivables, IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. For equity instruments, IFRS 9 now requires measurement of all assets at fair value and provides an irrevocable option to measure certain securities at FVOCI rather than through profit or loss. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 3 (h).

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

ii. Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, long term loans included within the carrying value of associates, contract assets and debt securities at FVOCI, but not to investments in equity instruments or assets carried at FVTPL. Under IFRS 9, credit related losses are recognised earlier than under IAS 39.

iii. Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

(i) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2016. Accordingly, the information presented for 2015 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2016 under IFRS 9.

2 *BASIS OF PREPARATION (continued)*

e) Early Adoption of IFRS 9 Financial Instruments (continued)

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

Impact of adopting IFRS 9:
The impact of this change in accounting policy as at 1st January 2016 has been to decrease equity by BD 6.6 million as follows:

The following table summarises the impact of transition to IFRS 9 on reserves and retained earnings:

	Retained earnings	Fair value reserve
Balance at 31 December 2015 under IAS 39	242,180	(2,488)
Impact on reclassification and remeasurments:		
Investment securities (equity) from available-for-sale to FVOCI	19,854	(19,854)
Impact on recognition of Expected Credit Losses:		
Expected credit losses under IFRS 9 for financial assets at amortised cost	(6,617)	-
Opening balance under IFRS 9 on date of initial application of 1 January 2016	**255,417**	**(22,342)**

Classification of financial assets on the date of initial application of IFRS 9

The following table is reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2016.

In thousands of BHD	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Impact for IFRS 9 Reclassification	Impact for IFRS 9 Remeasurement	New carrying amount under IFRS 9
Financial assets						
Investment securities – debt	Available-for-sale	FVOCI	34,831	-	-	34,831
Investment securities – equity	Available-for-sale (at fair value)	FVOCI	12,940	-	-	12,940
Investment securities – equity	Available-for-sale (at cost less impairment)	FVOCI	826	-	-	826

All assets that were previously classified as loans and receivables will now be classified as assets measured at amortised cost under IFRS 9.
Under IFRS 9, all equity securities shall be measured at fair value. The previously recognised cost less impairment was considered to be a close approximation of fair value on the date of initial application.

2 *BASIS OF PREPARATION (continued)*

e) *Early Adoption of IFRS 9 Financial Instruments (continued)*

Impairment allowances:

The Group has reassessed its following exposures on adoption of IFRS 9:

- The Group reassessed its impairment loss on its trade receivables portfolio using an expected loss measurement basis and did not observe a material change in the current levels of impairment allowances carried on such assets.

- In relation to long term financing to associate (included within the carrying value of the associate – refer note 8), the Group considers the asset to be a financial asset within the scope of IFRS 9 and has applied expected credit loss assessment on the date of initial application. Based on this assessment, the Group has concluded that there is a significant increase in credit risk and recognised a life-time expected loss as per IFRS 9 of BD 6.6 million on transition date.

- The Group has exposure to debt securities which are classified as at FVOCI. However, as majority of these are exposures to the domestic sovereign, no credit loss is expected to materialise on the date of initial application.

There was no impact on the basic or diluted earnings per share reported for 2015.

f) Amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Company/Group:

i. Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.
The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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

ii. Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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

iii. 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. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply. The following are the key amendments in brief:

2) *BASIS OF PREPARATION (continued)*

f) Amendments and interpretations effective from 1 January 2016 (continued)

- **IFRS 5** – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
- **IFRS 7** – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition
- **IFRS 7** – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- **IAS 19** – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- **IAS 34** – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

iv. Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

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

v. Disclosure Initiative (Amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

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

2 *BASIS OF PREPARATION (continued)*

g) 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 2016, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. Except for early adoption of IFRS 9 (note 2(e)), the Group does not plan to early adopt any of these standards.

i. **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, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

ii. **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 1January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

iii. **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 as initial 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 modified retrospective approach.

iv. **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 1January 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 the amendment.

2 *BASIS OF PREPARATION (continued)*

g) New Standards, amendments and interpretations issued but not yet effective (continued)

v. **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 investors in the associate or joint venture.

The effective date of these changes has now been postponed until completion of IASB review and is yet not announced.

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except for impact of IFRS 9, the significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the Group's entities.

a) Basis of consolidation

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

(i) Subsidiaries

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

(ii) Non-controlling interests (NCI)

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

(iii) Loss of control

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

(iv) Investment in associates

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

(v) Transactions eliminated on consolidation

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

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.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

c) Property and equipment

(i) Recognition and measurement
Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

g) Goodwill

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

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

h) Financial assets and financial liabilities

A. Financial assets and financial liabilities under IFRS 9 (effective from 1 January 2016)

(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 – Policy applicable from 1 January 2016

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.

All other financial assets are classified as measured at FVTPL.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

(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.

From 1 January 2016 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

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.

B. Financial assets and financial liabilities under IAS 39 (effective upto 31 December 2015)

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

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

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

(i) Other investments under IAS 39 (effective upto 31 December 2015)

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

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

(ii) Financial assets and financial liabilities under IAS 39 (effective up to 31 December 2015)

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

i. Trade and other receivables

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

h) *Financial assets and financial liabilities (continued)*

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

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

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

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

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.

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.

l) Impairment

(i) *Financial assets – effective from 1 January 2016*
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group measures loss allowances for its trade and other receivables at an amount equal to lifetime ECL. For other financial instruments on which credit risk has not increased significantly since their initial recognition impairment is measured as 12-month ECL.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:

The Group applies three-stage approach to measuring expected credit losses (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.

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since intial recognition, the portion of the lifetime ECL associated with the probability of default events occuring within next 12 months is recognised.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*
l) Impairment (continued)

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. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

(ii) Financial assets – effective up to 31 December 2015
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

(iii) 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.

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) Employee savings scheme

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

(iv) Defined benefit scheme

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

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

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

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

n) Borrowing costs

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 of time to get ready for its intended use or sale, in which case borrowing costs are capitalised as part of that asset.

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.

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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).

s) Fair value measurement for financial instruments

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

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

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

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

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.

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

For the year ended 31 December 2016 BD'000

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

The Group establishes an allowance for impairment that represents its estimate of life time expected losses in respect of trade receivables (2015: Incurred losses). 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. For receivables from telecom operators, 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, government and wholesale accounts and collective life-time ECL allowance is determined based on historical data of payment statistics and actual credit loss experience. 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 70.4 million (2015: BD 74.9 million) and has recognized cumulative credit impaired life-time ECL impairment allowances amounting to BD 31.7 million (2015: BD 27.1 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. This amount is exposed to credit risk and has been subject to assessment of life-time ECL (but not credit impaired) at 31 December 2016 (refer note 8).

(iii) Investments and cash and bank balances

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

As majority of investment are exposures to the domestic sovereign, 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.

(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:

	2016	2015
Trade receivables – customer accounts	30,431	36,992
Trade receivables – telecom operators	8,628	11,505
Unbilled revenue	6,840	4,162
Other receivables	38,659	47,765
Long term financing to an associate	2,206	9,724
Other investments	35,593	34,831
Cash at bank	172,406	159,634
	294,763	304,613

For the year ended 31 December 2016 BD'000

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

(iv) Exposure to credit risk and credit quality (continued)

	December 2016	
Trade receivables – Telecom operators	**Gross carrying amount**	**Specific Life-time ECL, credit impaired**
Externally rated		
Low risk (BBB- to AAA)	3,270	(219)
Medium risk (B- to BB+)	4,173	(1,200)
Higher risk (below C)	-	-
Unrated	3,884	(1,280)
	11,327	**(2,699)**

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

	Collective life-time ECL, not credit impaired	Specific life-time ECL, credit impaired	Total
Balance as at 1 January per IAS 39	1,125	27,414	28,539
Adjustment on adoption of IFRS 9	-	-	-
Balance as at 1 January per IFRS 9	**1,125**	**27,414**	**28,539**
Amounts written off during the year	-	(5,418)	(5,418)
Net remeasurement of loss allowance	265	1,392	1,657
Foreign exchange and other movements	(5)	(70)	(75)
Balance as at 31 December	**1,385**	**23,318**	**24,703**

There is no impairment of debt securities classified under FVOCI.

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

(v) *Customers' accounts*

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

	2016	2015
Operating segment		
Bahrain	15,744	23,706
Jordan	7,152	6,103
Maldives	1,486	1,123
Channel Islands and Isle of Man (CIIM)	2,348	2,537
Other countries	3,701	3,523
	30,431	36,992

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

	2016	2015
Customer segment		
Consumer	4,504	5,863
Enterprise	12,613	14,216
Government	5,594	8,264
Wholesale	3,050	3,840
Others	4,670	4,809
	30,431	36,992

	Gross exposure	**Life-time ECL**	**Credit Impaired**
Current (0 – 30 days)	19,512	(503)	No
31 – 90 days	12,760	(882)	No
91 – 365 days	13,461	(5,361)	Yes
More than 1 year	18,029	(17,957)	Yes
Balance as at 31 Dec	**63,762**	**(24,703)**	

Balances that are past due for more than 90 days are considered to be in default and credit impaired.

(vi) *Amounts due from telecommunications operators*

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

	2016	2015
Customer segment		
International operators	5,929	7,441
Local operators	2,699	4,064
	8,628	11,505

For the year ended 31 December 2016 BD'000

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:

Non-derivative financial liabilities at 31 December 2016	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	31,346	31,346	31,346	-	-
Provisions, accrued expenses and other payables	95,087	95,087	89,229	5,858	-
Amount due to telecommunications operators	9,947	9,947	9,947	-	-
Loans and borrowings	234,356	280,224	18,157	19,559	242,508
	370,736	**416,604**	**148,679**	**25,417**	**242,508**

Non-derivative financial liabilities at 31 December 2015	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	45,793	45,793	45,793	-	-
Provisions, accrued expenses and other payables	99,290	99,290	94,280	5,010	-
Amount due to telecommunications operators	12,072	12,072	12,072	-	-
Loans and borrowings	225,981	253,977	11,089	7,022	235,866
	383,136	411,132	163,234	12,032	235,866

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.

For the year ended 31 December 2016 BD'000

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

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

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

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

(ii) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from bank deposits and debt securities during 2016 was 2.76 % (2015: 2.20 %).

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

	2016	2015
Fixed rate instruments		
Financial assets	50,042	47,589
Financial liabilities	181,915	176,826
Variable rate instruments		
Financial assets	116,430	102,362
Financial liabilities	52,441	49,155

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 1,164 (2015: BD 1,024).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.

For the year ended 31 December 2016 BD'000

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

d) Capital management

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

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

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. There were no significant changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

e) Accounting classification of financial instruments

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

31 December 2016	**At amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	43,424	-	43,424
Trade receivables	39,059	-	-	39,059
Other receivables	38,659	-	-	38,659
Unbilled revenue	6,840	-	-	6,840
Cash and bank balances	172,406	-	-	172,406
	256,964	**43,424**	-	**300,388**
Financial liabilities				
Trade payables	31,346	-	-	31,346
Provisions, accruals and other payables	92,984	-	2,103	95,087
Amounts due to telecommunications operators	9,947	-	-	9,947
Loans and borrowings	234,356	-	-	234,356
	368,633	-	**2,103**	**370,736**

For the year ended 31 December 2016 BD'000

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

31 December 2015	At amortised cost	Available-for-sale	Fair value through profit or loss	Total carrying amount
Financial assets				
Other investments at fair value	-	47,771	-	47,771
Other investments at cost	826	-	-	826
Trade receivables	48,497	-	-	48,497
Other receivables	42,287	-	-	42,287
Unbilled revenue	4,162	-	-	4,162
Cash and bank balances	159,962	-	-	159,962
	255,734	47,771	-	303,505
Financial liabilities				
Trade payables	45,793	-	-	45,793
Provisions, accruals and other payables	97,177	-	2,113	99,290
Amounts due to telecommunications operators	12,072	-	-	12,072
Loans and borrowings	225,981	-	-	225,981
	381,023	-	2,113	383,136

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 (e), 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.

For the year ended 31 December 2016 BD'000

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

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

	Fair value				**Carrying amount**
31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets at fair value through OCI					
Other investments	42,031	-	1,393	43,424	43,424
Financial liabilities not measured at fair value					
Loans and borrowings	177,926	-	57,215	235,141	234,356
Financial liabilities measured at fair value					
Contingent consideration (Other Payables)	-	-	2,103	2,103	2,103

	Fair value				Carrying amount
31 December 2015	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets measured at fair value					
Other investments	47,204	-	567	47,771	47,771
Financial assets not measured at fair value					
Other investments	-	-	826	826	826
Financial liabilities not measured at fair value					
Loans and borrowings	178,300	-	47,681	225,981	225,981
Financial liabilities measured at fair value					
Contingent consideration (Other Payables)	-	-	2,113	2,113	2,113

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

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5 PROPERTY AND EQUIPMENT

31 December 2016	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2016
Cost					
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)
At 31 December	**82,642**	**518,309**	**43,328**	**38,062**	**682,341**
Depreciation					
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)
At 31 December	**53,293**	**335,302**	**28,919**	**-**	**417,514**
Net book value					
At 31 December 2016	**29,349**	**183,007**	**14,409**	**38,062**	**264,827**

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

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5 *PROPERTY AND EQUIPMENT (continued)*

31 December 2015	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2015
Cost					
At 1 January	81,704	492,909	49,988	33,272	657,873
Additions	1,163	21,224	481	40,634	63,502
Projects completed	2,708	34,545	6,502	(43,755)	-
Disposals	(466)	(11,739)	(3,808)	(5)	(16,018)
Effect of movements in exchange rates	(546)	(3,639)	(3,493)	(481)	(8,159)
At 31 December	84,563	533,300	49,670	29,665	697,198
Depreciation					
At 1 January	50,307	314,809	37,598	-	402,714
Charge for the year	2,797	42,301	3,353	-	48,451
Disposals	(466)	(10,553)	(2,867)	-	(13,886)
Impairment *	1,533	-	-	-	1,533
Effect of movements in exchange rates and other adjustments	(245)	(1,062)	(4,590)	-	(5,897)
At 31 December	53,926	345,495	33,494	-	432,915
Net book value					
At 31 December 2015	30,637	187,805	16,176	29,665	264,283

* During 2015, the Group reassessed carrying value of a land in one of its subsidiaries, based on the estimated recoverable value and using level 2 inputs. This resulted in an impairment of BD 1,533 which was recognised.

For the year ended 31 December 2016 BD'000

6 GOODWILL

	2016	2015
At 1 January	168,826	173,881
Exchange rate adjustments	(3,773)	(1,455)
Impairment charge during the year	(10,000)	(3,600)
	155,053	168,826

a) Analysis of Goodwill

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

	2016	2015
Jordan	111,600	121,354
Maldives	21,871	21,870
CIIM	15,089	17,985
Others	6,493	7,617
At 31 December	**155,053**	168,826

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 pre-tax discount rates used for the calculations range between 8.5% to 14%.

(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 lower than its carrying value by BD 10 million and accordingly an impairment loss has been recognised in 2016 (2015: BD 3.6 million) in respect of goodwill allocated to the Jordan CGU. For Maldives, CIIM 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.

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7 OTHER INTANGIBLE ASSETS

31 December 2016	**Licenses**	**Other Intangibles**	**2016**
Cost			
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)
At 31 December	**163,975**	**93,897**	**257,872**
Amortisation			
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)
At 31 December	**56,574**	**60,812**	**117,386**
Net book value			
At 31 December 2016	**107,401**	**33,085**	**140,486**

31 December 2015	Licenses	Other Intangibles	2015
Cost			
At 1 January	132,442	91,291	223,733
Additions during the year	40,205	3,532	43,737
Disposals during the year	-	(167)	(167)
Effect of movements in exchange rates	(2,539)	(1,675)	(4,214)
At 31 December	170,108	92,981	263,089
Amortisation			
At 1 January	38,523	43,398	81,921
Charge for the year	9,028	10,310	19,338
Regrouping	65	(65)	-
Disposals during the year	(2)	(150)	(152)
Effect of movements in exchange rates	(544)	(584)	(1,128)
At 31 December	47,070	52,909	99,979
Net book value			
At 31 December 2015	123,038	40,072	163,110

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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's interest in Sabafon is accounted for using the equity method in the consolidated financial statements as the Group has determined that it has significant influence because it has representation on the board of investee.

Effective 1st April 2015, the Group has discontinued equity accounting due to lack of regular reporting of financial performance and results due to the on-going situation in Yemen.

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

	2016	2015
At 1 January	76,324	75,793
Adjustment on early adoption of IFRS 9 (refer note 2 e))	(6,617)	-
Share of profit of associate (net)	-	531
Foreign exchange loss on loan receivable (net)	(901)	-
At 31 December	**68,806**	76,324

The carrying value of investment in associate includes long-term financing and related interest amounting to BD 2.2 million (net of adjustment on adoption of IFRS 9– refer note 2 e)) which is carried at amortised cost. The summarised aggregate financial information of the associate (unaudited and as of 30 November 2016; 2015: as of 30 November 2015) is as follows:

	2016	2015
Non-current assets	75,427	85,819
Current assets	88,579	86,469
Non-current liabilities	(59,712)	(70,218)
Current liabilities	(73,795)	(66,798)
Revenues	64,493	75,108
Net (loss) / profit and total comprehensive income for the period	(1,308)	3,166
Dividends received by the Group	-	-

The Group has assessed impairment of its exposure to its associate due to the uncertainty associated with the on-going situation in Yemen. The recoverable amount has been assessed using a value-in-use basis as fair value may not be reliably ascertainable under the current scenario. The Group has made an assessment of time required for the business and economy to stabilize and have projected future business plans for a period of 5 years assuming normalized operations around its historical level. The Group has also considered the business potential, market conditions, sustainable margins and cash flows that the Company would be able to generate in the projection period. The impairment exercise indicated that the recoverable amount would exceed the current carrying value at 31 December 2016 and hence no additional impairment has been considered in these financial statements in respect of the investment.

For the year ended 31 December 2016 BD'000

9 OTHER INVESTMENTS

	2016	2015
Available-for-sale (IAS 39)		
- Debt securities (quoted, at fair value)	-	34,831
- Equity investment (listed at fair value)	-	12,940
- Equity investment (unquoted at cost less impairment)	-	826
At fair value through other comprehensive income (IFRS 9)		
- Debt securities (at FVOCI)	35,593	-
- Equity investment (at FVOCI)	7,831	-
At 31 December	**43,424**	48,597

Debt securities include the Group's investment in Bahrain Sovereign Bonds (rated BB+ as at 31 December 2016) with a carrying value of BD 35.03 million at 31 December 2016. 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 7.0 million representing market value of equity investment in Etihad Atheeb Telecommunications Company ("the investee"), a company listed on Saudi Stock Exchange. In 2016, the market value of the investment declined by BD 5.9 million and was recognised in statement of other comprehensive income (Note 19).

On date of initial application of IFRS 9, the Group designated all of its equity investments at FVOCI as the Group acquired these investments for long term strategic purposes. None of these strategic investments were disposed of during 2016, and there were no transfers of any cumulative gains or loss within equity relating to these investments. No dividends were received during the year from equity investments at FVOCI.

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10 TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	63,762	77,036
Less impairment allowance	(24,703)	(28,539)
	39,059	48,497
Unbilled revenue	6,840	4,162
Prepaid expenses and other receivables	45,761	57,499
	91,660	110,158

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

	2016	2015
Customers' accounts	30,431	36,992
Telecommunications operators	8,628	11,505
	39,059	48,497

The movement in the allowance for impairment was as follows:

	2016	2015
At 1 January	28,539	24,331
Impairment loss recognised during the year	1,657	3,983
Effect of movements in exchange rates	(75)	442
Written off during the year	(5,418)	(217)
At 31 December	**24,703**	28,539

Given the short tenor of the trade receivables, the Group's impairment allowances estimated for incurred loss under IAS 39 was not materially different to the calculation of ECL on such exposures on the date of initial application of IFRS 9 (i.e. 1 January 2016).

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

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11 CASH AND BANK

	2016	2015
Cash in hand	416	328
Cash at bank	171,990	159,634
Cash and bank	**172,406**	159,962

Cash and bank include BD 57,795 (2015: BD 56,898) 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

	2016	2015
Trade payables	31,346	45,793
Amounts due to telecommunications operators	9,947	12,072
Provisions, accrued expenses and other payables (note 13)	95,087	99,290
Customer deposits and billings in advance	25,471	26,580
Current tax liability	2,893	3,018
	164,744	186,753

Trade and other payables are classified as follows:

	2016	2015
Current liabilities	158,886	181,743
Non-current liabilities	5,858	5,010
	164,744	186,753

13 PROVISIONS

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

	Donations		Asset retirement obligation	
	2016	2015	**2016**	2015
At 1 January	2,776	3,121	3,345	3,128
Amounts provided during the year	1,238	1,042	436	217
Amounts paid during the year	(595)	(1,387)	-	-
At 31 December	**3,419**	2,776	**3,781**	3,345

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14 INCOME TAXES

Amounts recognised in profit or loss for the year

	2016	2015
Current tax expense	5,710	5,793
Deferred tax expense	(4,022)	(3,916)
Tax expense for the year	**1,688**	1,877

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 % (2015: 0 %). The table below reconciles the difference between the expected tax expense of nil (2015: 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

	2016	2015
Profit before tax	**47,810**	58,722
Corporation tax rate of 0 % in Bahrain (2015: 0 %)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,688	1,877
Tax expense for the year	**1,688**	1,877
Profit after tax for the year	**46,122**	56,845

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

	2016	2015
At 1 January	19,195	22,577
Credit to the consolidated income statement	(2,494)	(3,916)
Credit to the equity (Note 25)	-	(39)
Exchange differences	(1,834)	573
At 31 December	**14,867**	19,195

The recognised deferred tax asset of BD 6,394 (2015: BD 4,905) 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

		2016	2015
a) Current			
Term financing from a bank	*(i)*	4,370	3,512
Vendor financing	*(ii)*	2,118	-
Overdraft Facility	*(iii)*	1,597	-
		8,085	3,512
b) Non-current			
Term financing from a bank	*(i)*	48,071	45,643
Vendor financing	*(ii)*	1,059	-
Bonds	*(iv)*	177,141	176,826
		226,271	222,469
		234,356	225,981

(i) Long term loan facility with a total available amount of BD 58.6 million (of which BD 52.4 million drawn as of 31 December 2016) which has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum and is due to be settled by 2023. As at 31 December 2016, BD 4.4 million of the outstanding amount was classified under current liabilities being due within the next 12 months; and

(ii) Vendor financing obtained by a group company with a total amount of BD 4.2 million (of which BD 3.2 million remains outstanding as of 31 December 2016). The facility bears an interest rate of 3% per annum and is due to be settled by 2018. As of 31 December 2016, BD 2.1 million of the outstanding amount was classified under current liabilities being due within the next 12 months; and

(iii) Over draft facility of BD 4.5 million (of which BD 1.6 million drawn as of 31 December 2016) which has been utilised by a group company to fund the company's working capital. The facility bears an interest rate of 4.9% per annum; and

(iv) 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

	2016	2015
a) Authorised		
2,000 (2015: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid:		
1,663 (2015: 1,663) million shares of 100 fils each	**166,320**	166,320

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

Name	Nationality	Number of shares (thousands)	% of share holding
Bahrain Mumtalakat Holding Company BSC (c)	Bahrain	609,840	37
Amber Holdings Limited	Cayman Islands	332,640	20
Social Insurance Organisation	Bahrain	337,720	20

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1 %	282,458	10,761	17
1 % up to less than 5 %	100,542	3	6
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,280,200	3	77
	1,663,200	**10,767**	**100**

17 STATUTORY AND GENERAL RESERVE

a) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires all companies incorporated in Bahrain to transfer 10 % of net profit for the year to a statutory reserve, until such reserve reaches a minimum of 50 % of the paid-up capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001. Transfer to statutory reserve, effected by the subsidiaries in accordance with the applicable law of the country of incorporation, is retained in the subsidiary concerned and included as part of Group statutory reserve. Statutory reserve is not available for distribution except in circumstances stipulated by the law in the respective country of incorporation.

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.

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17 STATUTORY AND GENERAL RESERVE (continued)

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer was made during the year 2016 by the shareholders of the Company or any other company within the Group.

18 DIVIDENDS

The dividends paid in 2016 and 2015 were BD 41.6 million (25 Fils per share). The dividends paid in 2016 include an amount of BD 24.9 million relating to the final dividend for the year ended 31 December 2015 and interim dividend of BD 16.6 million for the year 2016. The total dividend in respect of the year ended 31 December 2016 of 25 Fils per share, 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 2017. These financial statements do not reflect the final dividend payable.

19 CUMULATIVE CHANGES IN FAIR VALUES

	2016	**2015**
Reserve for investment at fair value through Other Comprehensive Income (OCI) at 1 January	(2,488)	(589)
Impact on early adoption of IFRS 9	(19,854)	-
Balance as restated	**(22,342)**	(589)
Fair value changes during the year:		
Debt securities	1,408	(1,899)
Equity securities	(5,936)	(3,062)
	(4,528)	(4,961)
Transfer to profit and loss on impairment	-	3,062
At 31 December	**(26,870)**	(2,488)

20 REVENUE

	2016	2015
Mobile telecommunications services	189,656	196,818
Data communication circuits	66,538	61,846
Internet	47,478	45,460
Wholesale	18,179	18,734
Fixed line telecommunication services	25,900	28,063
Others	19,381	21,507
	367,132	372,428

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21 NETWORK OPERATING EXPENSES

	2016	2015
Outpayments to telecommunications operators	48,272	50,806
Cost of sales of equipment and services	46,748	46,528
Repair, maintenance & other direct cost	22,187	21,505
License fee	7,148	7,397
Operating lease rentals	11,163	10,016
	135,518	136,252

22 OTHER OPERATING EXPENSES

	2016	2015
Marketing, advertising and publicity	13,451	14,022
IT operations and maintenance	4,300	5,133
Professional fees	2,650	2,153
Office rental and utilities	5,953	6,560
Other expenses	12,286	13,375
	38,640	41,243

23 FINANCE AND OTHER INCOME

	2016	2015
Rental income	267	233
Interest income	4,638	3,308
Others	945	2,997
	5,850	6,538

The interest income reported above relate to the following asset classifications:

	2016	2015
Financial assets measured at amortised cost	2,743	1,819
Financial assets measured at FVOCI	1,895	1,489
	4,638	3,308

24 FINANCE AND OTHER EXPENSES

These include finance charges of BD 12,426 (2015: BD 10,425) during the year in relation to the Group's loan and borrowings that are carried at amortised cost.

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25 POST-EMPLOYMENT BENEFIT ASSETS

a) Defined benefit scheme

At 31 December 2016, the Group operates a defined benefit pension plan (the Scheme) in Sure (Guernsey) Ltd for the employees of that company. Under the Scheme, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund. The Scheme was closed to new entrants from 1 April 2005 and was closed to future accrual by current members on 31 July 2014.

During 2016, the Company offered enhanced transfer values to the scheme members to encourage them to take their scheme benefits out of the scheme. 15 members availed this offer. This gave rise to the recognition of a net settlement credit of BD 693 during the year, which is included in staff costs.

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

	2016			2015		
	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	16,264	20,474	(4,210)	45,251	45,440	(189)
Included in profit or loss						
Current service cost	-	-	-	-	-	-
Interest costs/ (income)	539	681	(142)	663	897	(234)
Expense Costs	-	(109)	109	-	(159)	159
Past service credit	-	-	-	-	-	-
Settlement credit	(2,421)	(1,728)	(693)	(27,646)	(23,551)	(4,095)
	(1,882)	**(1,156)**	**(726)**	(26,983)	(22,813)	(4,170)
Included in OCI						
Remeasurement loss/(gain)	-	-	-	-	-	-
Actuarial changes arising from						
- financial assumptions	3,760	-	3,760	1,941	-	1,941
- experience adjustments	(174)	-	(174)	(1,050)	-	(1,050)
Return on plan assets excluding interest income	-	2,792	(2,792)	-	(1,460)	1,460
Effect of movements in exchange rates	(2,442)	(3,196)	754	(1,736)	(1,743)	7
	1,144	**(404)**	**1,548**	(845)	(3,203)	2,358
Other						
Contributions paid by the employer	-	144	(144)	-	2,209	(2,209)
Benefits paid	(517)	(517)	-	(1,159)	(1,159)	-
Employee contributions	-	-	-	-	-	-
At 31 December	**15,009**	**18,541**	**(3,532)**	16,264	20,474	(4,210)

The deferred tax on amounts included in OCI was BD nil (2015:39)

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25 POST-EMPLOYMENT BENEFIT (continued)
a) Defined benefit scheme (continued)

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:

	2016	2015
Interest income on benefit obligation	(142)	(234)
Expense cost	109	159
Settlement credit	(693)	(4,095)
	(726)	(4,170)

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

	2016	2015
Equities	2,981	5,706
Bonds	3,488	9,316
Diversified growth fund	5,131	5,410
Others	6,941	42
	18,541	20,474

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

Assumptions	**2016**	2015
Price inflation	**3.6%**	3.3%
Discount rate	**2.6%**	3.7%
Pension increases	**3.6%**	3.3%
Life expectancy of male aged 60 in 2016	**28.1**	28.0
Life expectancy of male aged 60 in 2035	**30.5**	30.4

b) The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.7 million (2015: BD 4.3 million). The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.8 million (2015: BD 3.4 million) and is included under provisions and accrued expenses.

26 EARNINGS PER SHARE ("EPS")

	2016	2015
Profit for the year attributable to equity holders of the Company	**37,639**	49,512
Weighted average number of shares outstanding during the year (in million)	**1,663**	1,663
Basic earnings per share (Fils)	**22.6**	29.8

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) Commitments

The Group has capital commitments at 31 December 2016 amounting to BD 11.7 million (2015: BD 28.4 million).

b) Contingent liabilities

The Group currently does not have any contingent liabilities relating to notifications from regulatory authorities or government tax departments (2015: Nil).

c) Guarantees

(i) As at 31 December 2016, the Group's banks have issued guarantees, amounting to BD 4.5 million (2015: BD 4.9 million) and letters of credit amounting to BD 0.9 million (2015: 1 million).

(ii) The Company has furnished a guarantee for BD 3.7 million (2015: BD 4.4 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(iii) The Company has furnished guarantees amounting to BD 1.6 million (2015: BD 1.6 million) to a supplier on behalf of an investee company in Kingdom of Saudi Arabia relating to the equipment supply contracts.

(iv) The Company has furnished a comfort letter for BD 1.9 million (2015: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

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:

	2016	2015
Future minimum lease payments		
Within one year	2,540	2,733
After one year but not more than five years	6,078	8,367
More than five years	6,061	7,560
	14,679	18,660

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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% (2015: 75 %) of the loan interest. At 31 December 2016, the Company has an outstanding guarantee of BD 1.0 million (2015: BD 1.1 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:

	2016		2015	
Entity	**QualityNet**	**Dhiraagu**	QualityNet	Dhiraagu
NCI Share	**10%**	**48 %**	10 %	48 %
Non-current assets (excluding goodwill)	7,503	77,549	7,811	82,463
Current assets	22,173	35,530	25,713	32,864
Non-current liabilities	(1,767)	(8,073)	(1,664)	(8,239)
Current liabilities	(18,987)	(19,044)	(26,385)	(18,540)
Net assets	**8,922**	**85,962**	5,475	88,548
Carrying amount of NCI	892	41,262	547	42,503
Revenue	28,221	61,157	26,044	55,640
Profit & total comprehensive income	**4,764**	**17,129**	1,398	14,617
Profit allocated to NCI	476	8,222	140	7,016
Cash flows from operating activities	4,996	29,008	5,722	29,266
Cash used in investing activities	(1,054)	(6,280)	(876)	(6,989)
Cash used in financing activities, before dividends to NCI	(4,938)	(11,271)	-	(10,253)
Cash used in financing activities - cash dividends to NCI	(549)	(9,457)	(564)	(8,522)
Net (decrease) / increase in cash and cash equivalents	**(1,545)**	**2,000**	4,282	3,502

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 material.

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

The key management personnel compensation is as follows:

	2016	2015
Short-term employee benefits	2,413	1,740
Post-employment benefits	251	222
Total key management personnel compensation	**2,664**	1,962

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29 TRANSACTIONS WITH RELATED PARTIES (continued)

	2016	2015
Post-employment benefits outstanding	**251**	**222**
Directors remuneration (including sitting fees)	**621**	**704**

(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:

	2016	2015
Total number of shares held by Directors	**1,041,217**	729,427
As a percentage of the total number of shares issued	**0.06%**	0.04%

30 COMPARATIVES

Except for IFRS 9 related changes (refer note 2 e)), the comparative figures for the previous year has been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping does not affect the previously reported profit, comprehensive income or equity.

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31 SEGMENT INFORMATION

Operating segments
The Group's operations are segregated between Bahrain, Jordan, Maldives, CIIM and Others. Others include South Atlantic, Diego Garcia, Kuwait, Yemen and other group operations.
Segment information disclosed for the year ended 31 December 2016 is as follows:

	Year ended 31 December 2016							Year ended 31 December 2015						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Revenue (external customers)	151,257	74,633	61,157	44,782	35,303	-	**367,132**	154,334	78,306	55,637	49,322	34,829	-	372,428
Inter segment revenues	1,458	1,015	-	-	2,778	(5,251)	-	2,350	991	3	-	2,144	(5,488)	-
Finance and other income	11,279	56	(9,751)	103	150	4,013	**5,850**	12,657	157	458	171	2,220	(9,125)	6,538
Depreciation and amortisation	21,532	20,570	12,982	10,455	4,324	-	**69,863**	22,891	18,316	12,233	9,631	4,718	-	67,789
Impairment of goodwill	-	10,000	-	-	-	-	**10,000**	-	3,600	-	-	-	-	3,600
Finance and other expenses	8,574	3,145	1,280	-	901	(489)	**13,411**	7,965	1,442	1,119	414	1,533	(631)	11,842
Share of profit of associate	-	-	-	-	-	-	-	-	-	-	-	531	-	531
Profit for the year	**43,262**	**(15,461)**	**17,129**	**752**	**470**	**(30)**	**46,122**	37,347	676	14,617	6,658	(3,751)	1,298	56,845

	As at 31 December 2016							As at 31 December 2015						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter - segment elimination	Total
Non-current assets	171,460	255,412	99,420	69,688	110,181	(23,639)	682,522	165,221	260,270	104,332	95,503	125,186	(20,257)	730,255
Current assets	169,835	17,516	35,526	15,499	38,884	(8,847)	268,413	183,797	15,486	32,864	14,353	46,900	(18,673)	274,727
Total assets	**341,295**	**272,928**	**134,946**	**85,187**	**149,065**	**(32,486)**	**950,935**	349,018	275,756	137,196	109,856	172,086	(38,930)	1,004,982
Current liabilities	112,388	61,213	19,040	8,452	22,152	(56,274)	166,971	126,420	54,471	18,540	8,753	28,742	(51,671)	185,255
Non-current liabilities	185,512	53,103	8,073	5,571	5,377	(10,640)	246,996	176,826	47,558	8,239	7,600	6,451	-	246,674
Total liabilities	**297,900**	**114,316**	**27,113**	**14,023**	**27,529**	**(66,914)**	**413,967**	303,246	102,029	26,779	16,353	35,193	(51,671)	431,929

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
21 Sales Site	Customer Service Centre	Rented
67 different sites used for GSM base stations and exchanges	GSM & fixed telephone network	Owned
314 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites.	GSM & fixed telephone network	Rented