Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2018

Bahrain Telecommunications Company BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2018

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FINANCIAL HIGHLIGHTS (presented for information purposes only)
for the six months ended 30 June 2018

Six months ended 30 June		**2018**	2017	**Variation %**
Gross revenue	BD million	200.0	181.1	10%
Expenses	BD million	159.6	151.1	(6%)
Profit attributable to Batelco shareholders	BD million	28.8	19.0	51%
Return on net worth – Annualised	%	12.10	0.7	1629%
Weighted average number of shares outstanding during the period	Million	1,663	1,663	-
Basic earnings per share for the period	Fils	17.3	11.4	51%

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

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

19 July 2018

Introduction

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial statements of Bahrain Telecommunications Company BSC (the "Company") and its subsidiaries (together "the Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2018;
- the condensed consolidated statement of comprehensive income for the three and six month periods ended 30 June 2018;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2018;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018; and
- notes to the condensed consolidated interim financial statements.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

BD'000

	Note	30 June 2018 (reviewed)	31 December 2017* (audited)
ASSETS			
Non-current assets			
Property and equipment		256,472	274,764
Goodwill		136,212	136,602
Other intangible assets		128,991	134,469
Investment in associate		33,336	34,836
Deferred tax assets		8,427	7,534
Post- employment benefit assets		3,516	3,597
Other investments		36,994	41,592
Total non-current assets		**603,948**	633,394
Current assets			
Inventories		5,830	7,895
Trade and other receivables		146,170	132,509
Cash and bank balances	3	152,626	158,703
		304,626	299,107
Held-for-sale asset	12	4,613	-
Total current assets		**309,239**	299,107
Total assets		**913,187**	932,501
LIABILITIES			
Non-current liabilities			
Trade and other payables		6,337	6,110
Loans and borrowings	4	216,597	221,254
Deferred tax liabilities		12,397	13,837
Total non-current liabilities		**235,331**	241,201
Current liabilities			
Trade and other payables		153,170	171,892
Loans and borrowings	4	23,550	16,941
Total current liabilities		**176,720**	188,833
Total liabilities		**412,051**	430,034
Net assets		**501,136**	502,467
EQUITY			
Share capital		166,320	166,320
Statutory reserve		84,116	84,116
General reserve		45,890	45,890
Foreign currency translation reserve		(15,304)	(13,223)
Investment fair value reserve		(31,046)	(26,767)
Post-employment benefit actuarial reserve		(5,665)	(5,665)
Retained earnings		216,431	211,212
Total equity attributable to equity holders of the Company		**460,742**	461,883
Non-controlling interest		40,394	40,584
Total equity		**501,136**	502,467

* June 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 2(c) for further details

The condensed consolidated interim financial statements which consist of pages 3 to 17 were approved by the Board of Directors on 19 July 2018 and signed on its behalf by

Abdulla bin Khalifa Al Khalifa
Chairman

Abdulrahman Yusuf Fakhro
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2018

BD'000

	Note	Six months ended 30 June		Three months ended 30 June	
		2018 (reviewed)	2017* (reviewed)	**2018 (reviewed)**	2017* (reviewed)
REVENUE	5	**200,043**	181,054	**100,533**	91,361
EXPENSES					
Network operating expenses		(78,751)	(68,888)	(38,882)	(34,550)
Staff costs		(27,490)	(28,714)	(14,085)	(14,694)
Depreciation and amortisation		(32,503)	(34,061)	(16,198)	(15,999)
Impairment loss on trade receivables		(2,163)	(908)	(1,256)	(507)
Other operating expenses		(18,656)	(18,543)	(9,882)	(9,872)
Total expenses		**(159,563)**	(151,114)	**(80,303)**	(75,622)
Results from operating activities		**40,480**	29,940	**20,230**	15,739
Finance income		2,790	2,464	1,383	1,221
Finance expenses		(6,578)	(6,023)	(3,399)	(2,967)
Other income / (expenses) (net)		234	(112)	503	(81)
Share of loss from associate (net)		(1,500)	(1,970)	-	(430)
Profit before taxation		**35,426**	24,299	**18,717**	13,482
Income tax expense		(1,483)	(562)	(720)	(353)
Profit for the period		**33,943**	23,737	**17,997**	13,129
Total other comprehensive income :					
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences – foreign operations		(2,083)	4,446	(6,352)	3,220
Investment fair value changes (debt securities)		(1,128)	449	(865)	(137)
		(3,211)	4,895	**(7,217)**	3,083
Items that will never be reclassified to profit or loss:					
Investment fair value changes (equity securities)		(3,151)	992	(556)	(1,596)
		(3,151)	992	**(556)**	(1,596)
Other comprehensive income, net of tax		**(6,362)**	5,887	**(7,773)**	1,487
Total comprehensive income for the period		**27,581**	29,624	**10,224**	14,616
Profit for the period attributable to:					
Equity holders of the Company		28,776	19,017	15,661	10,810
Non-controlling interest		5,167	4,720	2,336	2,319
		33,943	23,737	**17,997**	13,129
Total comprehensive income for the period attributable to:					
Equity holders of the Company		22,415	24,898	7,899	12,291
Non-controlling interest		5,166	4,726	2,325	2,325
		27,581	29,624	**10,224**	14,616
Basic earnings per share (Fils)	6	**17.3**	11.4	**9.4**	6.5

* June 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 2(c) for further details

The condensed consolidated interim financial statements which consist of pages 3 to 17 were approved by the Board of Directors on 19 July 2018 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa
Chairman

Abdulrahman Yusuf Fakhro
Deputy Chairman

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2018

BD'000

	Note	Six months ended 30 June	
		2018 (reviewed)	2017 (reviewed)
OPERATING ACTIVITIES			
Results from operating activities		**40,480**	29,940
Adjustment for:			
Depreciation and amortisation		32,503	34,061
Impairment loss on trade receivables		2,163	908
		75,146	64,909
Working capital changes:			
Increase in trade and other receivables		(14,912)	(15,814)
Decrease / (increase) in inventories		2,052	(2,099)
Decrease in trade and other payables		(5,484)	(3,654)
Cash generated from operating activities		**56,802**	43,342
Taxes paid		(2,223)	(2,597)
Payment to charities		(2,137)	(983)
Net cash from operating activities		**52,442**	39,762
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(27,186)	(23,127)
Net cash for purchase of other investments		(14,081)	(3,461)
Interest and investment income received		3,009	2,858
Net cash used in investing activities		**(38,258)**	(23,730)
FINANCING ACTIVITIES			
Dividend paid		(30,408)	(32,835)
Interest paid		(5,947)	(5,387)
Borrowings (net)		1,725	3,728
Net cash used in financing activities		**(34,630)**	(34,494)
Decrease in cash and cash equivalents during the period		**(20,446)**	(18,462)
Cash and cash equivalents at 1 January		96,323	114,611
Cash and cash equivalents at 30 June	3	**75,877**	96,149

The condensed consolidated interim financial statements consist of pages 3 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2018

BD'000

2018	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 2018 (Previously reported)	166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	211,212	461,883	40,584	502,467
Impact of first time adoption of IFRS 15	-	-	-	-	-	-	1,479	1,479	111	1,590
Balance at 1 January 2018 as restated	166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	212,691	463,362	40,695	504,057
Profit for the period	-	-	-	-	-	-	28,776	28,776	5,167	33,943
Other comprehensive income :										
Foreign currency translation differences	-	-	-	(2,081)	-	-	(1)	(2,082)	(1)	(2,083)
Investment fair value changes	-	-	-	-	(4,279)	-	-	(4,279)	-	(4,279)
Total other comprehensive income	**-**	**-**	**-**	**(2,081)**	**(4,279)**	**-**	**(1)**	**(6,361)**	**(1)**	**(6,362)**
Total comprehensive income for the period	**-**	**-**	**-**	**(2,081)**	**(4,279)**	**-**	**28,775**	**22,415**	**5,166**	**27,581**
Contributions and distributions										
Final dividends declared for 2017	-	-	-	-	-	-	(24,948)	(24,948)	(5,467)	(30,415)
Donations approved for 2017	-	-	-	-	-	-	(87)	(87)	-	(87)
Total contributions and distributions	**-**	**-**	**-**	**-**	**-**	**-**	**(25,035)**	**(25,035)**	**(5,467)**	**(30,502)**
At 30 June 2018	**166,320**	**84,116**	**45,890**	**(15,304)**	**(31,046)**	**(5,665)**	**216,431**	**460,742**	**40,394**	**501,136**

The condensed consolidated interim financial statements consist of pages 3 to 17.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2018

BD'000

2017	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 2017	166,320	84,116	45,890	(21,437)	(26,870)	(5,399)	250,241	492,861	44,107	536,968
Profit for the period	-	-	-	-	-	-	19,017	19,017	4,720	23,737
Other comprehensive income :										
Foreign currency translation differences	-	-	-	4,440	-	-	-	4,440	6	4,446
Investment fair value changes	-	-	-	-	1,441	-	-	1,441	-	1,441
Total other comprehensive income	-	-	-	4,440	1,441	-	-	5,881	6	5,887
Total comprehensive income for the period	-	-	-	4,440	1,441	-	19,017	24,898	4,726	29,624
Contributions and distributions										
Final dividends declared for 2016	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations approved for 2016	-	-	-	-	-	-	(941)	(941)	-	(941)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(7,836)	(7,836)
Total Contributions and distributions	-	-	-	-	-	-	(25,889)	(25,889)	(7,836)	(33,725)
At 30 June 2017	166,320	84,116	45,890	(16,997)	(25,429)	(5,399)	243,369	491,870	40,997	532,867

The condensed consolidated interim financial statements consist of pages 3 to 17.

for the six months ended 30 June 2018 BD'000

1 REPORTING ENTITY

Bahrain Telecommunication Company BSC (the "Company") is a Bahraini incorporated company listed on the Bahrain Bourse. The condensed consolidated interim financial statements as at and for the six month period ended 30 June 2018 comprise the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively "the Group") and the Group's interests in an associate entity. The Group is principally engaged in the provision of public telecommunications and associated products and services.

2 BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – 'Interim Financial Reporting'. These do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2017.

(b) Significant accounting policies

The accounting policies and risk management framework applied by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the last audited consolidated financial statements as at and for the year ended 31 December 2017, except for the adoption of relevant new IFRSs, amendments and interpretations issued by IASB that are effective for annual periods beginning on or after 1 January 2018. The impact of adoption of these new standards / amendments (except IFRS 15, see note (c) below) did not have a significant impact on the condensed consolidated interim financial statements. The Group early adopted *IFRS 9: Financial Statement* in the year 2016.

The condensed consolidated interim financial statements are reviewed not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2017 and comparatives for the condensed consolidated statements of comprehensive income, cash flows and changes in equity have been extracted from the reviewed condensed consolidated interim financial statements for the six months period ended 30 June 2017.

(c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e.1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings and Non-controlling interest (NCI) at 1 January 2018.

	As at 31 December 2017	Adjustments due to adoption of IFRS 15	Adjusted opening balance at 1 January 2018
Retained earnings	211,212	1,479	212,691
Non-controlling interest	40,584	111	40,695

for the six months ended 30 June 2018 BD'000

2 *BASIS OF PREPARATION (continued)*

(c) IFRS 15 Revenue from Contracts with Customers (continued)

The primary differences arose from allocation of Standalone Selling Price's (SSP) to components of bundled contracts and recognition of contract cost assets.

The following tables summarise the impacts of adopting IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of comprehensive income for the six months then ended for each of the line items affected. There was no material impact on the Group's condensed consolidated statement of cash flows for the six months ended 30 June 2018.

Impact on the condensed consolidated statement of financial position

As at 30 June 2018	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Non-current assets	**603,948**	**-**	**603,948**
Current assets			
Inventories	5,830	-	5,830
Trade and other receivables	146,170	(4,334)	141,836
Cash and bank balances	152,626	-	152,626
Held-for-sale asset	4,613	-	4,613
Total current assets	**309,239**	**(4,334)**	**304,905**
Total non-current liabilities	**235,331**	**-**	**235,331**
Current liabilities			
Trade and other payables	153,170	(1,185)	151,985
Loans and borrowings	23,550	-	23,550
Total current liabilities	**176,720**	**(1,185)**	**175,535**
Net Assets	**501,136**	**(3,149)**	**497,987**
Equity			
Share Capital	166,320	-	166,320
Retained earnings	216,431	(2,917)	213,514
Other reserves	77,991	-	77,991
Total equity attributable to equity holders of the Company	**460,742**	**(2,917)**	**457,825**
Non-controlling interest	40,394	(232)	40,162
Total equity	**501,136**	**(3,149)**	**497,987**

Impact on the condensed consolidated statement of comprehensive income

For the six months ended 30 June 2018	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Revenue	200,043	(154)	199,889
Total expenses	(159,563)	(1,746)	(161,309)
Results from operating activities	**40,480**	**(1,900)**	**38,580**
Non-operating items	(6,537)	349	(6,188)
Profit for the period	**33,943**	**(1,551)**	**32,392**
Total comprehensive income for the period	**27,581**	**(1,551)**	**26,030**

2. BASIS OF PREPARATION (continued)

(c) IFRS 15 Revenue from Contracts with Customers (continued)

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Type of product /service	**New revenue recognition criteria**	**Change from previous accounting policy**
Sale of Equipment	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 Performance Obligation (PO), the arrangement consideration is allocated to each performance obligation based on their relative standalone selling price (SSP).	Under IAS-18, consideration for revenue arrangements from bundled contracts including more than one deliverable was allocated to each deliverable based on their relative fair values. Adoption of IFRS 15 resulted in a change of allocation which is now based on SSP. This gave rise to a change in value of contract assets recognised on Group's Balance Sheet.
Provision of Services	Revenue for access charges, airtime usage and messaging by contract customers is recognised as services are performed, with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. Deferred revenue related to unused airtime is recognised when utilised by the customer. Upon termination of the customer contract, all deferred revenue for unused airtime is recognised in the profit or loss. Revenue from interconnect fees is recognised at the time the services are performed. Revenue from data services is recognised when the Group has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.	IFRS 15 did not have a significant impact on the Group's accounting policies in respect of provision of services.
Contract Costs	Contract costs that are incremental in obtaining a contract with a customer are capitalized and amortised over the period of related revenues. Applying the practical expedient per IFRS15, the Group recognises incremental cost of obtaining a contract as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.	Previously all contract costs were expensed as incurred. Adoption of IFRS 15 resulted in recognition of contract assets and subsequent amortisation in respect of these costs within the Group's Balance Sheet.

2. *BASIS OF PREPARATION (continued)*

(d) Seasonability

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

(e) Judgements and estimates

In preparing these condensed consolidated interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

3 CASH AND BANK BALANCES

Cash and bank balances include BD 76,749 (2017: BD 62,380) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded from cash and cash equivalent in the condensed consolidated statement of cash flows.

4 LOANS AND BORROWINGS

(i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 48.7 million outstanding as of 30 June 2018) which has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum and is due to be settled by 2023. As at 30 June 2018, BD 9.8 million of the outstanding amount was classified under current liabilities being due within the next 12 months;

(ii) A Group company has obtained over draft facilities to support its working capital needs. The interest rates on these facilities range from 6% to 6.15% p.a. and the amount drawn at the balance sheet date amounted to BD 13.8 million (2017:BD 6.2 million). The undrawn overdraft limits as at 30 June 2018 amounted to BD 1.3 million (2017: BD 2.9 million); and

(iii) 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.

for the six months ended 30 June 2018 BD'000

5 REVENUE

A. Disaggregation of revenue

Revenue by major products	**Six months ended 30 June**		**Three months ended 30 June**	
	2018 (reviewed)	2017* (reviewed)	**2018 (reviewed)**	2017* (reviewed)
Mobile telecommunication services	98,828	95,086	49,023	48,259
Data communication circuits	35,544	29,610	18,809	14,420
Fixed broadband	29,713	25,653	15,033	13,143
Fixed line telecommunication services	12,928	13,021	6,122	6,372
Wholesale services	8,522	8,312	4,728	4,176
Others	14,508	9,372	6,818	4,991
	200,043	181,054	**100,533**	91,361

Revenue by timing of recognition	**Six months ended 30 June**		**Three months ended 30 June**	
	2018 (reviewed)	2017* (reviewed)	**2018 (reviewed)**	2017* (reviewed)
Products transferred at a point in time (Equipment revenue)	18,918	14,995	7,843	8,075
Products and services transferred over time (Revenue from provision of services)	181,125	166,059	92,690	83,286
	200,043	181,054	**100,533**	91,361

For a further break down of total revenue by the Group's key geographical segments, please refer to note 13.

* June 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 2(c) for further details

B. Contract balances

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

	30 June 2018 (reviewed)	1 January 2018
Receivables and contract assets (*included in Trade and other receivables)*	61,200	52,203
Contract liabilities (*included in Trade and other payables)*	21,802	20,738

5 *REVENUE (continued)*

The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance at 1 January 2018.

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

6 EARNINGS PER SHARE

	Six months ended 30 June		**Three months ended 30 June**	
	2018 (reviewed)	2017 (reviewed)	**2018 (reviewed)**	2017 (reviewed)
Profit for the period attributable to equity holders of the Company	28,776	19,017	15,661	10,810
Weighted average number of shares outstanding during the period (million)	1,663	1,663	1,663	1,663
Basic earnings per share (Fils)	**17.3**	11.4	**9.4**	6.5

The Company has not issued any dilutive instruments that would impact earnings per share.

7 SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a) Commitments

The Group has capital commitments at 30 June 2018 amounting to BD 26.2 million (2017: BD 17.9 million).

The Group has signed commitment to invest in a fund at 30 June 2018 amounting to BD 5.7 million (2017:Nil).

b) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 1.5 million (2017: BD 1.5 million). The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

c) Guarantees

(i) As at 30 June 2018, the Group's banks have issued guarantees, amounting to BD 4.7 million (2017: BD 4.8 million) and letters of credit amounting to BD 5.6 million (2017: BD 7.3 million).

(ii) The Company has furnished guarantees amounting to BD 2.6 million (2017: BD 3.0 million) to a bank for extending credit facilities to an investee company in the Kingdom of Saudi Arabia.

(iii) The Group has furnished a comfort letter for BD 1.9 million (2017: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan

for the six months ended 30 June 2018 BD'000

8 RELATED PARTIES

a) Transactions with related parties

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

b) Transactions with key management personnel

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

	Six months ended 30 June	
	2018 (reviewed)	2017 (reviewed)
Short-term employee benefits	1,046	1,192
Post-employment benefits	324	275
Total key management personnel compensation	**1,370**	1,467
Directors remuneration (including sitting fees)	**301**	294

9 APPROPRIATIONS

The shareholders of the Company in their meeting held on 29 March 2018 approved a cash dividend of BD 24.95 million and donations of BD 0.09 million in respect of 2017.

In Board meeting dated 19 July 2018, an interim dividend of 10 fils per share has been approved by the directors. These condensed consolidated interim financial statements do not reflect this interim dividend payable.

10 COMPARATIVES

Except for the prospective adoption of IFRS 15(refer note 2(c), the comparative figures have been regrouped, where necessary, in order to conform to the current period's presentation. Such regrouping did not affect the previously reported profit, comprehensive income for the period or total equity except as disclosed.

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11 FAIR VALUE

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

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

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

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

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

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

The table below analyses financial instruments measured as at 30 June 2018, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Fair value				
30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total Carrying amount**
Financial assets at fair value through profit and loss (FVTPL)					
Other investments	-	-	104	104	104
Financial assets at fair value through OCI (FVOCI)					
Other investments	36,890	-	-	36,890	36,890
Financial liabilities not measured at fair value					
Loans and borrowings	170,277	-	62,505	232,782	240,147
Financial liabilities measured at fair value through profit and loss					
Contingent consideration (Other Payables)	-	-	2,447	2,447	2,447

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11 FAIR VALUE (continued)

	Fair value				
31 December 2017	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets at fair value through Profit and Loss (FVTPL)					
Other investments	-	-	104	104	104
Financial assets at fair value through OCI (FVOCI)					
Other investments	41,488	-	-	41,488	41,488
Financial liabilities not measured at fair value					
Loans and borrowings	175,849	-	60,724	236,573	238,195
Financial liabilities measured at fair value					
Contingent consideration (Other Payables)	-	-	2,127	2,127	2,127

There were no transfers between any of the categories during the period. The Bonds have been fair valued using its quoted prices. Other loans and borrowings are repriced at frequent intervals and hence the carrying value is a reasonable approximation of its fair value. The Group has not disclosed the fair value for financial instruments such as short term trade and other receivables, trade and other payables and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values.

12 HELD-FOR-SALE ASSET

As at 30 June 2018, one of the Group's subsidiaries is actively involved in the process of selling a piece of land previously classified within property and equipment. Accordingly, this asset has been presented in the condensed consolidated interim financial statements as "held-for-sale" in accordance with *IFRS 5 - Non-current assets held-for-sale*

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13 SEGMENT INFORMATION

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, Sure Group and others. Others include Kuwait, Yemen (associate) and other group corporate operations. Segment information disclosed for the six months ended 30 June 2018 is as follows:

	For the six months ended 30 June 2018 (reviewed)							For the six months period ended 30 June 2017 (reviewed)						
Segment revenue and profit	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	Total
Revenue (external customers)	80,987	46,225	34,211	28,062	10,558	-	200,043	74,540	38,215	31,059	25,407	11,833	-	181,054
Inter-segment revenues	176	169	-	-	3,056	(3,401)	-	331	661	-	-	935	(1,927)	-
Profit	23,869	(1,988)	10,763	2,100	(706)	(95)	33,943	18,036	(4,701)	9,871	794	(233)	(30)	23,737

	As at 30 June 2018 (reviewed)							As at 31 December 2017 (Audited)						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	Sure Group	Others	Inter - segment elimination	Total
Non-current assets	169,528	223,333	99,253	97,728	35,388	(21,282)	603,948	179,926	230,427	99,336	107,263	42,016	(25,574)	633,394
Current assets	213,320	28,200	25,733	25,867	31,089	(14,970)	309,239	208,087	21,564	27,411	27,896	32,454	(18,305)	299,107
Total assets	**382,848**	**251,533**	**124,986**	**123,595**	**66,477**	**(36,252)**	**913,187**	388,013	251,991	126,747	135,159	74,470	(43,879)	932,501
Current liabilities	144,908	64,886	15,872	9,307	16,261	(74,514)	176,720	143,550	59,074	17,716	10,684	21,110	(63,301)	188,833
Non-current liabilities	184,856	55,557	7,900	8,009	2,270	(23,261)	235,331	188,979	60,648	7,883	9,043	2,187	(27,539)	241,201
Total liabilities	**329,764**	**120,443**	**23,772**	**17,316**	**18,531**	**(97,775)**	**412,051**	332,529	119,722	25,599	19,727	23,297	(90,840)	430,034