

**Bahrain Telecommunications  
Company BSC**

**CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS**

**30 September 2018**

**Bahrain Telecommunications Company BSC**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the nine months ended 30 September 2018**

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**FINANCIAL HIGHLIGHTS (presented for information purposes only)  
for the nine months ended 30 September 2018**

<b>Nine months ended 30 September</b>		<b>2018</b>	<b>2017</b>	<b>Variation %</b>
Gross revenue	BD million	301.5	277.6	9%
Expenses	BD million	241.0	236.4	(2%)
Profit attributable to Batelco shareholders	BD million	46.0	25.2	83%
Return on net worth – Annualised	%	13.10	0.7*	1771%
Weighted average number of shares outstanding during the period	Million	1,663	1,663	-
Basic earnings per share for the period	Fils	27.7	15.2	83%

\*Based on actual profit for the year ended 31 December 2017.



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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

1 November 2018

### **Introduction**

We have reviewed the accompanying 30 September 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 September 2018;
- the condensed consolidated statement of comprehensive income for the three and nine-month periods ended 30 September 2018;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2018
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 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 Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 30 September 2018**

BD'000

	Note	30 September 2018 (reviewed)	31 December 2017* (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		255,633	274,764
Goodwill		135,854	136,602
Other intangible assets		125,618	134,469
Investment in associate		32,796	34,836
Deferred tax assets		8,238	7,534
Post-employment benefit assets		3,467	3,597
Other investments		37,216	41,592
<b>Total non-current assets</b>		<b>598,822</b>	633,394
<b>Current assets</b>			
Inventories		6,647	7,895
Trade and other receivables		137,080	132,509
Cash and bank balances	3	140,307	158,703
		<b>284,034</b>	299,107
Assets held-for-sale	12	26,134	-
<b>Total current assets</b>		<b>310,168</b>	299,107
<b>Total assets</b>		<b>908,990</b>	932,501
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Trade and other payables		4,141	6,110
Loans and borrowings	4	214,235	221,254
Deferred tax liabilities		11,748	13,837
<b>Total non-current liabilities</b>		<b>230,124</b>	241,201
<b>Current liabilities</b>			
Trade and other payables		137,154	171,892
Loans and borrowings	4	24,391	16,941
		161,545	188,833
Liabilities directly associated with assets held-for-sale	12	19,525	-
<b>Total current liabilities</b>		<b>181,070</b>	188,833
<b>Total liabilities</b>		<b>411,194</b>	430,034
<b>Net assets</b>		<b>497,796</b>	502,467
<b>EQUITY</b>			
Share capital		166,320	166,320
Statutory reserve		80,486	84,116
General reserve		44,000	45,890
Foreign currency translation reserve		(16,562)	(13,223)
Investment fair value reserve		(30,675)	(26,767)
Post-employment benefit actuarial reserve		(5,665)	(5,665)
Retained earnings		222,788	211,212
<b>Total equity attributable to equity holders of the Company</b>		<b>460,692</b>	461,883
Non-controlling interest		36,443	40,584
Non-controlling interests associated with assets held-for-sale	12	661	-
<b>Total equity</b>		<b>497,796</b>	502,467

\* September 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 18 were approved by the Board of Directors on 1 November 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 nine months ended 30 September 2018

BD'000

	Note	Nine months ended 30 September		Three months ended 30 September	
		2018 (reviewed)	2017* (reviewed)	2018 (reviewed)	2017* (reviewed)
<b>REVENUE</b>	5	<b>301,496</b>	277,591	<b>101,453</b>	96,537
<b>EXPENSES</b>					
Network operating expenses		(118,744)	(106,015)	(39,993)	(37,127)
Staff costs		(41,406)	(51,442)	(13,916)	(22,728)
Depreciation and amortisation		(48,754)	(49,968)	(16,251)	(15,907)
Impairment loss on trade receivables		(3,738)	(1,554)	(1,575)	(646)
Other operating expenses		(28,371)	(27,409)	(9,715)	(8,866)
<b>Total expenses</b>		<b>(241,013)</b>	(236,388)	<b>(81,450)</b>	(85,274)
<b>Results from operating activities</b>		<b>60,483</b>	41,203	<b>20,003</b>	11,263
Finance income		4,318	3,702	1,528	1,238
Finance expenses		(9,863)	(9,092)	(3,285)	(3,069)
Other income / (expense) (net)		3,417	(216)	3,183	(104)
Share of loss from associate (net)		(2,040)	(1,970)	(540)	-
<b>Profit before taxation</b>		<b>56,315</b>	33,627	<b>20,889</b>	9,328
Income tax expense		(2,701)	(1,355)	(1,218)	(793)
<b>Profit for the period</b>		<b>53,614</b>	32,272	<b>19,671</b>	8,535
<b>Other comprehensive income:</b>					
<b>Items that are or may be reclassified to profit or loss:</b>					
Foreign currency translation differences – foreign operations		(3,362)	7,986	(1,279)	3,540
Investment fair value changes (debt securities)		(757)	511	371	62
		<b>(4,119)</b>	8,497	<b>(908)</b>	3,602
<b>Items that will never be reclassified to profit or loss:</b>					
Investment fair value changes (equity securities)		(3,151)	556	-	(436)
		<b>(3,151)</b>	556	-	(436)
<b>Total other comprehensive income, net of tax</b>		<b>(7,270)</b>	9,053	<b>(908)</b>	3,166
<b>Total comprehensive income for the period</b>		<b>46,344</b>	41,325	<b>18,763</b>	11,701
<b>Profit for the period attributable to:</b>					
Equity holders of the Company		46,034	25,202	17,258	6,185
Non-controlling interest		7,580	7,070	2,413	2,350
		<b>53,614</b>	32,272	<b>19,671</b>	8,535
<b>Total comprehensive income for the period attributable to:</b>					
Equity holders of the Company		38,768	34,246	16,353	9,348
Non-controlling interest		7,576	7,079	2,410	2,353
		<b>46,344</b>	41,325	<b>18,763</b>	11,701
<b>Basic earnings per share (Fils)</b>	6	<b>27.7</b>	15.2	<b>10.4</b>	3.7

\* September 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 18 were approved by the Board of Directors on 1 November 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 nine months ended 30 September 2018**

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	Note	Nine months ended 30 September	
		2018 (reviewed)	2017 (reviewed)
<b>OPERATING ACTIVITIES</b>			
Results from operating activities		60,483	41,203
<b>Adjustment for:</b>			
Depreciation and amortisation		48,754	49,968
Impairment loss on trade receivables		3,738	1,554
		112,975	92,725
<b>Working capital changes:</b>			
Increase in trade and other receivables		(18,557)	(19,243)
Decrease/ (increase) in inventories		1,036	(1,995)
(Decrease) / increase in trade and other payables		(10,452)	4,620
<b>Cash generated from operating activities</b>		<b>85,002</b>	<b>76,107</b>
Taxes paid		(5,584)	(5,393)
Payment to charities		(1,950)	(1,737)
<b>Net cash from operating activities</b>		<b>77,468</b>	<b>68,977</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, equipment and intangibles		(34,593)	(41,591)
Net cash for purchase of other investments		(22,664)	(17,440)
Interest and investment income received		6,292	4,261
<b>Net cash used in investing activities</b>		<b>(50,965)</b>	<b>(54,770)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(52,506)	(54,815)
Interest paid		(7,010)	(6,243)
Borrowings (net)		139	3,867
<b>Net cash used in financing activities</b>		<b>(59,377)</b>	<b>(57,191)</b>
<b>Decrease in cash and cash equivalents during the period</b>		<b>(32,874)</b>	<b>(42,984)</b>
Cash and cash equivalents at 1 January		96,323	114,611
<b>Cash and cash equivalents at 30 September</b>	3	<b>63,449</b>	<b>71,627</b>

The condensed consolidated interim financial statements consist of pages 3 to 18.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended 30 September 2018

BD'000

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

\* Includes BD 661 for non-controlling interests associated with assets held-for-sale (refer note 12)

The condensed consolidated interim financial statements consist of pages 3 to 18.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the nine months ended 30 September 2018 (continued)

BD'000

2017 (reviewed)	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- employ- ment benefit actuarial reserve	Retained earnings	Total		
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	-	-	-	-	-	-	25,202	25,202	7,070	32,272
Other comprehensive income										
Foreign currency translation differences	-	-	-	7,978	-	-	(1)	7,977	9	7,986
Investment fair value changes	-	-	-	-	1,067	-	-	1,067	-	1,067
Total other comprehensive income	-	-	-	7,978	1,067	-	(1)	9,044	9	9,053
Total comprehensive income for the period	-	-	-	7,978	1,067	-	25,201	34,246	7,079	41,325
Contributions and distributions										
Final dividends declared for 2016	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations approved for 2016	-	-	-	-	-	-	(941)	(941)	-	(941)
Interim dividends declared for 2017	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	(13,152)	(13,152)
Total contributions and distributions	-	-	-	-	-	-	(42,521)	(42,521)	(13,152)	(55,673)
At 30 September 2017	166,320	84,116	45,890	(13,459)	(25,803)	(5,399)	232,921	484,586	38,034	522,620

The condensed consolidated interim financial statements consist of pages 3 to 18.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the nine months ended 30 September 2018**

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**1 REPORTING ENTITY**

Bahrain Telecommunication Company BSC (the "Company") is a Bahraini incorporated company listed on the Bahrain Bourse. The condensed consolidated interim financial statements as at and for the nine month period ended 30 September 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 instruments 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 nine month period ended 30 September 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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the nine months ended 30 September 2018**

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## 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 September 2018 and its condensed consolidated statement of comprehensive income for the nine 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 nine months ended 30 September 2018.

*Impact on the condensed consolidated statement of financial position***As at 30 September 2018**

	As reported	Adjustments	Amounts without adoption of IFRS 15
<b>Non-current assets</b>	<b>598,822</b>	-	<b>598,822</b>
<b>Current assets</b>			
Inventories	6,647	-	6,647
Trade and other receivables	137,080	(4,886)	132,194
Cash and bank balances	140,307	-	140,307
	284,034	(4,886)	279,148
Assets held-for-sale	26,134	-	26,134
<b>Total current assets</b>	<b>310,168</b>	<b>(4,886)</b>	<b>305,282</b>
<b>Total non-current liabilities</b>	<b>230,124</b>	-	<b>230,124</b>
<b>Current liabilities</b>			
Trade and other payables	137,154	(1,244)	135,910
Loans and borrowings	24,391	-	24,391
	161,545	(1,244)	160,301
Liabilities directly associated with assets held-for-sale	19,525	-	19,525
<b>Total current liabilities</b>	<b>181,070</b>	<b>(1,244)</b>	<b>179,826</b>
<b>Net assets</b>	<b>497,796</b>	<b>(3,642)</b>	<b>494,154</b>
<b>Equity</b>			
Share capital	166,320	-	166,320
Retained earnings	222,788	(3,349)	219,439
Other reserves	71,584	-	71,584
<b>Total equity attributable to equity holders of the Company</b>	<b>460,692</b>	<b>(3,349)</b>	<b>457,343</b>
Non-controlling interest	36,443	(293)	36,150
Non-controlling interests associated with assets held-for-sale	661	-	661
<b>Total equity</b>	<b>497,796</b>	<b>(3,642)</b>	<b>494,154</b>

*Impact on the condensed consolidated statement of Comprehensive Income***For the nine months ended 30 September 2018**

	As reported	Adjustments	Amounts without adoption of IFRS 15
Revenue	301,496	(195)	301,301
Total expenses	(241,013)	(2,350)	(243,363)
<b>Results from operating activities</b>	<b>60,483</b>	<b>(2,545)</b>	<b>57,938</b>
Non-operating items	(6,869)	500	(6,369)
<b>Profit for the period</b>	<b>53,614</b>	<b>(2,045)</b>	<b>51,569</b>
<b>Total comprehensive income for the period</b>	<b>46,344</b>	<b>(2,045)</b>	<b>44,299</b>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the nine months ended 30 September 2018**

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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	<p>Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.</p> <p>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).</p>	<p>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.</p> <p>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.</p>
Provision of Services	<p>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.</p> <p>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.</p> <p>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.</p>	<p>IFRS 15 did not have a significant impact on the Group's accounting policies in respect of provision of services.</p>
Contract Costs	<p>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.</p>	<p>Previously all contract costs were expensed as incurred.</p> <p>Adoption of IFRS 15 resulted in recognition of contract assets and subsequent amortisation in respect of these costs within the Group's Balance Sheet.</p>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the nine months ended 30 September 2018**

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**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. Also refer note 2 (c) for impact arising from implementation of IFRS 15.

**3 CASH AND BANK BALANCES**

Cash and bank balances include BD 87,762 (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 46.2 million outstanding as of 30 September 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 September 2018, BD 9.7 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 14.7 million (2017: BD 6.2 million). The undrawn overdraft limits as at 30 September 2018 amounted to BD 0.5 million (2017: BD 2.9 million); and
- (iii) Long term bonds with a face value of BD 178.3 million remaining outstanding. 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.

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**5 REVENUE****A. Disaggregation of revenue**

Revenue by major products	Nine months ended 30 September		Three months ended 30 September	
	2018 (reviewed)	2017* (reviewed)	2018 (reviewed)	2017* (reviewed)
Mobile Telecommunication Services	149,004	144,971	50,176	49,885
Data Communication Circuits	54,079	44,931	18,535	15,321
Fixed Broadband	44,882	39,937	15,169	14,284
Fixed Line Telecommunication Services	18,905	19,425	5,977	6,404
Adjacent Services	20,988	15,536	6,480	6,164
Wholesale Services	13,638	12,791	5,116	4,479
	<b>301,496</b>	<b>277,591</b>	<b>101,453</b>	<b>96,537</b>

  

Revenue by timing of recognition	Nine months ended 30 September		Three months ended 30 September	
	2018 (reviewed)	2017* (reviewed)	2018 (reviewed)	2017* (reviewed)
Products transferred at a point in time (Equipment revenue)	27,508	24,345	8,590	9,350
Products and services transferred over time (Revenue from provision of network services)	273,988	253,246	92,863	87,187
	<b>301,496</b>	<b>277,591</b>	<b>101,453</b>	<b>96,537</b>

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

\*September 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 liabilities arising from contracts with customers.

	30 September 2018	1 January 2018
Trade receivables (included in Trade and other receivables)	(Reviewed) 53,333	49,749
Contract assets (included in Trade and other receivables)	24,546	24,785
Contract liabilities (included in Trade and other payables)	16,892	20,738

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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**

	Nine months ended 30 September		Three months ended 30 September	
	2018 (reviewed)	2017 (reviewed)	2018 (reviewed)	2017 (reviewed)
Profit for the period attributable to equity holders of the Company	46,034	25,202	17,258	6,185
Weighted average number of shares outstanding during the period (million)	1,663	1,663	1,663	1,663
<b>Basic earnings per share (Fils)</b>	<b>27.7</b>	<b>15.2</b>	<b>10.4</b>	<b>3.7</b>

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

The Group has capital commitments at 30 September 2018 amounting to BD 35.9 million (Dec 2017: BD 17.9 million). During the year, the Group signed commitment to invest in a fund amounting to BD 5.7 million (Dec 2017: Nil). At 30 September 2018, the amount actually invested amounted to BD 14.1 thousand (Dec 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 (Dec 2017: 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 September 2018, the Group's banks have issued guarantees, amounting to BD 4.8 million (Dec 2017: BD 4.8 million) and letters of credit amounting to BD 8.6 million (Dec 2017: BD 7.3 million).
- (ii) The Group has furnished guarantees amounting to BD 2.4 million (Dec 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 (Dec 2017: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

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**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.

	<b>Nine months ended 30 September</b>	
	<b>2018 (reviewed)</b>	<b>2017 (reviewed)</b>
Short-term employee benefits	1,558	1,677
Post-employment benefits	291	275
<b>Total key management personnel compensation</b>	<b>1,849</b>	<b>1,952</b>
<b>Directors remuneration (including sitting fees)</b>	<b>449</b>	<b>475</b>

**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 addition, the board of directors in its meeting held on 19 July 2018, approved an interim dividend of BD 16.63 million (10 Fils per share).

**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 September 2018, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Fair value			Total fair value	Total Carrying Amount
	Level 1	Level 2	Level 3		
<b>30 September 2018</b>					
<b>Financial assets at fair value through profit and loss (FVTPL)</b>					
Other investments	-	-	118	118	118
<b>Financial assets at fair value through OCI (FVOCI)</b>					
Other investments	37,099	-	-	37,099	37,099
<b>Financial liabilities not measured at fair value</b>					
Loans and borrowings	173,843	-	60,897	234,740	238,626

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## 11 FAIR VALUE (continued)

	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total fair value	
31 December 2017					
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 DISPOSAL GROUP HELD-FOR-SALE

In September 2018, the Group initiated a plan to sell its Kuwait subsidiary, QualityNet General Trading and Contracting Company WLL. Accordingly, these operations are presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected to conclude within the next twelve months. No impairment losses are expected as a result of this transaction. The disposal of the subsidiary is not considered to be a discontinuing operation. The assets, liabilities, comprehensive income and cash flows of the disposal group are as below:

	30 September 2018
<b>ASSETS</b>	
Property and equipment	1,042
Intangible Assets	774
Inventories	184
Trade and other receivables	13,230
Bank and cash balances	10,904
<b>Total assets</b>	<b>26,134</b>
<b>LIABILITIES</b>	
Trade and other payables - current	17,213
Trade and other payables - non-current	2,312
<b>Total liabilities</b>	<b>19,525</b>
<b>Net assets</b>	<b>6,609</b>
Non-controlling interest	661

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12 *DISPOSAL GROUP HELD-FOR-SALE (continued)***Comprehensive income**

	<b>Nine months ended 30 September</b>	
	<b>2018 (reviewed)</b>	<b>2017 (reviewed)</b>
Revenue (External customers)	15,661	18,413
Inter-segment revenue	4,577	973
<b>Revenue</b>	<b>20,238</b>	<b>19,386</b>
Expenses	(18,806)	(16,892)
<b>Results from operating activities</b>	<b>1,432</b>	<b>2,494</b>
Other income	1,132	57
<b>Profit for the period</b>	<b>2,564</b>	<b>2,551</b>
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>2,564</b>	<b>2,551</b>

**Cash Flows**

	<b>Nine months ended 30 September</b>	
	<b>2018 (reviewed)</b>	<b>2017 (reviewed)</b>
Net cash (used in) / from operating activities	(3,569)	1,648
Net cash from / (used in) investing activities	5,662	(292)

