

**Bahrain Telecommunications Company BSC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

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## Bahrain Telecommunications Company BSC

### CHAIRMAN'S REPORT

For the year ended 31 December 2018

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On behalf of the Board of Directors, it gives me great pleasure to present the 37<sup>th</sup> Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (The Batelco Group), for the year ended 31<sup>st</sup> December 2018.

The Group ended 2018 with strong fundamentals reporting consistent revenue growth and higher EBITDA throughout the year.

For the full year of 2018, revenues have increased by 7% from BD379.4M (US\$1,006.4M) in 2017 to BD405.9M (US\$1,076.7M) in 2018. Revenues have been positively bolstered by continued strong performance at Batelco Bahrain, Umniah in Jordan and Dhiraagu, the Group's operation in the Maldives. Furthermore, revenues were boosted by double digit year over year growth in fixed Broadband, up by 10%, Datacom up by 18%, and Digital services up by 34% across the Group's operations.

EBITDA for the year increased 15% over the corresponding period of 2017 from BD124.7M (US\$330.8M) to BD142.8M (US\$378.8M) with an EBITDA margin of 35%. The Group's operating expenses are down 2% year over year.

Operating profits have increased year over year by 25% from BD58.4M (US\$154.9M) in 2017 to BD72.7M (US\$192.8M) for 2018.

The Group ended the year with net profits attributable to equity holders of the company of BD50.1M (US\$132.9M) up from BD3.5M (US\$9.3M) for the corresponding period in 2017, an increase of 1,335%. The 2017 net profit was mainly impacted by impairment losses related to the Group's investments in Yemen and Jordan.

The Group's balance sheet continues to be strong with total assets of BD912.4M (US\$2,420.2M) as of 31 December 2018 and net assets of BD504.9M (US\$1,339.3M). The Group ended the year with substantial cash and bank balances of BD153.3M (US\$406.6M) and a Net Debt to EBITDA ratio of 0.58, considerably lower than the regional and international industry average. Earnings per share for the full year in 2018 stood at 30.1 fils compared with 2.1 fils reported in 2017.

#### Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2018.

| BD millions                   | 2018  | 2017  |
|-------------------------------|-------|-------|
| Final cash dividends proposed | 29.11 | 24.95 |
| Interim cash dividends paid   | 16.63 | 16.63 |
| Donations at 2.5%             | 1.25  | 0.09  |
| Transfer to statutory reserve | 2.67  | Nil   |

The Board of Directors has recommended a full year cash dividend of BD45.7M (US\$121.2M), at a value of 27.5 fils per share, to be agreed at the Group's Annual General Meeting (AGM), of which 10 fils per share was already paid during the third quarter of 2018 with the remaining 17.5 fils to be paid following the AGM, in March 2019. Batelco is committed to delivering greater returns for its shareholders with its efforts leading to improved dividends.

The Board of Directors is very pleased with Batelco's strong financial and operational performance for the year. The results reflect the effectiveness of the Group's overall strategic initiatives and we are delighted to witness the strong year-on-year growth in digital, Datacom and fixed broadband services across the Group.

We have established a powerful platform to build on in order to sustain long-term success for the Group and continue to deliver strong value for our shareholders.

#### Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2019.

## **Bahrain Telecommunications Company BSC**

### **CHAIRMAN'S REPORT**

**For the year ended 31 December 2018**

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#### **Appreciation for Support**

Batelco is fortunate to benefit from the unwavering support of the Kingdom's leadership and their commitment to the evolution of the communications sector is invaluable. Accordingly, on behalf of Batelco Board of Directors and all members of Batelco teams, I extend appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Premier.

I extend appreciation to my predecessor Shaikh Mohamed bin Khalifa Al Khalifa, who served as Chairman until June 2018, for his contribution in supporting the implementation of the Group's plans. I am very grateful to my colleagues on the Board, executive management and all employees across the Group's operations for the roles they have played in turning Batelco around and increasing shareholders return significantly.

#### **Well Being of the Community Important**

In addition to its role as a major investor in world-class solutions and superior customer experience across its operations, Batelco continues to play a very important role in the communities in which it operates.

Corporate Social Responsibility has always been an integral part of Batelco's remit and we have renewed our commitment to reaching out to the communities around us, with a sharp focus on supporting initiatives in the Kingdom of Bahrain. Batelco's CSR activities are in line with the company's eagerness to strengthen its community partnership as part of its national duty.

#### **Looking Forward with Confidence**

Boosted by this strong set of financial and operational results we have a sound platform to work from as we begin a new year for Batelco and its subsidiaries.

We believe we have the correct strategies in place, with particular attention given to building the digital infrastructures needed for our future success while maintaining a relentless focus on the experience of our customers.

We understand that it is also vital to invest in our people to ensure we have the relevant skills in place to address the changing landscape of the industry; accordingly, training programmes have been launched to upskill our employees' competencies in key areas including the digital arena.

Furthermore, we have confidence that the successful execution of our evolved strategy will serve the long-term interests of our stakeholder and drive sustainable growth in value for our shareholders.

**Abdulla bin Khalifa Al Khalifa**  
**Chairman of the Board**  
**Bahrain Telecommunications Company BSC**

21 February 2019

## 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 2018, the consolidated statements of 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 2018, 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 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Revenue recognition**

*(refer to the accounting policies in note 3 c) and disclosure in note 21 of the consolidated financial statements)*

| <b>Description</b>   | <b>How the matter was addressed in our audit</b>  |
|--|---|
| We focused on this area because: <ul style="list-style-type: none"><li>— There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).</li><li>— The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.</li></ul> | Our audit approach included controls testing and substantive procedures covering, in particular: <ul style="list-style-type: none"><li>— testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;</li><li>— testing the controls and governance processes over reconciliation from business support systems to billing and rating systems to the general ledger;</li><li>— performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills;</li><li>— performing tests on allocation of revenue for bundled contracts and recognition of revenue on multi-period contracts;</li><li>— performing tests on reasonableness of allocation and utilisation of deferred revenue representing undelivered service obligations; and</li><li>— assessed whether the consolidated financial statements disclosures relating to revenue recognition including IFRS 15 related disclosures were appropriate.</li></ul> |

**Carrying value of goodwill**

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

| Description  | How the matter was addressed in our audit   |
|--|---|
| <p>As at 31 December 2018, the Group's consolidated financial statements includes recognised goodwill of BD135.4 million which arose from the acquisition of subsidiaries.</p> <p>An assessment is required annually to establish whether this goodwill should continue to be recognised, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires significant judgment and hence has been identified as a key area of audit focus.</p> | <p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>— understanding of the Group's budgeting process upon which the forecasts are based;</li> <li>— we involved our own valuation specialists to assist us in:                             <ul style="list-style-type: none"> <li>▪ evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; and</li> <li>▪ evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, long term growth rates, revenue and EBITDA margins and comparing progress against stated business plans.</li> </ul> </li> <li>— assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for goodwill impairment were appropriate.</li> </ul> |

**Carrying value of investment in associate**

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

| Description   | How the matter was addressed in our audit   |
|---|---|
| <p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>- The Group's investment in associate amounting to BD 27.9 million is situated in a geographical location which is currently considered unstable and high risk;</li> <li>- The impairment assessment is subjective and involves management judgement and estimates, in particular relating to the future prospects of the investee, the continuing operations and expected benefits from the business; and</li> <li>-</li> </ul> | <p>Our audit procedures, amongst others, included:</p> <ul style="list-style-type: none"> <li>— evaluating the Group's basis of developing forecasts for an investee under stress;</li> <li>— we involved our own valuation specialists to assist us in:                             <ul style="list-style-type: none"> <li>▪ evaluating the appropriateness of the methodology used by the Group to assess impairment of carrying value of investments in associate; and</li> <li>▪ evaluating key inputs and assumptions in cash flow projections used by the Group as well as our own assessments of investee specific circumstances and experience in the related geography, in particular its derivation of revenues, margins, discount rates and expected long term growth rates.</li> </ul> </li> <li>— assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment of investment in associate were appropriate.</li> </ul> |

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

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

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

*Other information*

The board of directors is responsible for the other information. The other information comprises information in the annual report but does not include the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

## *INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)*

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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2018 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 Commercial Companies Law, we report that:

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



# Bahrain Telecommunications Company BSC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

BD'000

|   | Note | 2018           | 2017*          |
|---|------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |
| <b>Non-current assets</b>   |      |                |                |
| Property and equipment  | 5    | 257,310        | 274,764        |
| Goodwill  | 6    | 135,367        | 136,602        |
| Other intangible assets   | 7    | 118,594        | 134,469        |
| Investment in associate   | 8    | 27,860         | 34,836         |
| Deferred tax assets   | 16   | 9,639          | 7,534          |
| Post-employment benefit assets                                    | 26   | 4,749          | 3,597          |
| Other investments   | 9    | 45,257         | 41,592         |
| <b>Total non-current assets</b>                                   |      | <b>598,776</b> | <b>633,394</b> |
| <b>Current assets</b>   |      |                |                |
| Inventories   |      | 6,659          | 7,895          |
| Trade and other receivables                                       | 10   | 124,525        | 132,509        |
| Other investments   | 9    | 12,839         | -              |
| Cash and bank balances  | 11   | 142,763        | 158,703        |
| Asset held-for-sale   | 12   | 26,814         | -              |
| <b>Total current assets</b>                                       |      | <b>313,600</b> | <b>299,107</b> |
| <b>Total assets</b>   |      | <b>912,376</b> | <b>932,501</b> |
| <b>LIABILITIES</b>  |      |                |                |
| <b>Non-current liabilities</b>                                    |      |                |                |
| Trade and other payables  | 13   | 4,171          | 6,110          |
| Loans and borrowings  | 15   | 211,902        | 221,254        |
| Deferred tax liabilities  | 16   | 10,302         | 13,837         |
| <b>Total non-current liabilities</b>                              |      | <b>226,375</b> | <b>241,201</b> |
| <b>Current liabilities</b>  |      |                |                |
| Trade and other payables  | 13   | 136,612        | 171,892        |
| Loans and borrowings  | 15   | 24,878         | 16,941         |
| Liabilities directly associated with asset held-for-sale          | 12   | 19,631         | -              |
| <b>Total current liabilities</b>                                  |      | <b>181,121</b> | <b>188,833</b> |
| <b>Total liabilities</b>  |      | <b>407,496</b> | <b>430,034</b> |
| <b>Net assets</b>   |      | <b>504,880</b> | <b>502,467</b> |
| <b>EQUITY</b>   |      |                |                |
| Share capital   | 17   | 166,320        | 166,320        |
| Statutory reserve   | 18   | 83,160         | 84,116         |
| General reserve   | 18   | 44,000         | 45,890         |
| Foreign currency translation reserve                              |      | (18,254)       | (13,223)       |
| Investment fair value reserve                                     |      | (29,838)       | (26,767)       |
| Post-employment benefit actuarial reserve                         | 26   | (4,328)        | (5,665)        |
| Retained earnings   |      | 224,188        | 211,212        |
| <b>Total equity attributable to equity holders of the Company</b> |      | <b>465,248</b> | <b>461,883</b> |
| Non-controlling interest  |      | 38,914         | 40,584         |
| Non-controlling interest associated with asset held-for-sale      | 12   | 718            | -              |
| <b>Total non-controlling interest</b>                             |      | <b>39,632</b>  | <b>40,584</b>  |
| <b>Total equity (Page 11 - 12)</b>                                |      | <b>504,880</b> | <b>502,467</b> |

\*December 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 3(c) for further details. The consolidated financial statements, which consist of pages 8 to 64 were approved by the Board of Directors on 21 February 2018 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa  
Chairman

Deputy Chairman

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2018

BD'000

|   | Note | 2018             | 2017*     |
|---|------|------------------|-----------|
| <b>REVENUE</b>  | 21   | <b>405,853</b>   | 379,446   |
| <b>EXPENSES</b>   |      |                  |           |
| Network operating expenses  | 22   | (160,178)        | (147,699) |
| Staff costs   |      | (56,286)         | (58,461)  |
| Voluntary employee retirement program cost                                  | 14   | -                | (8,050)   |
| Depreciation, amortization and tangible assets impairment                   | 5,7  | (70,097)         | (66,319)  |
| Impairment loss on trade receivables and contract assets                    | 10   | (5,311)          | (1,979)   |
| Other operating expenses  | 23   | (41,239)         | (38,549)  |
| <b>Total expenses</b>   |      | <b>(333,111)</b> | (321,057) |
| <b>Results from operating activities</b>                                    |      | <b>72,742</b>    | 58,389    |
| Finance income  |      | 6,014            | 5,062     |
| Finance expenses  |      | (13,158)         | (12,172)  |
| Other income ,net   | 24   | 3,362            | 19,889    |
| Loss on investments   | 25   | -                | (51,249)  |
| Share of loss from associate, net   | 8    | (6,976)          | (3,970)   |
| <b>Profit before taxation</b>   |      | <b>61,984</b>    | 15,949    |
| Income tax expense  | 16   | (1,769)          | (2,709)   |
| <b>Profit for the year</b>  |      | <b>60,215</b>    | 13,240    |
| <b>Other comprehensive income</b>   |      |                  |           |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> |      |                  |           |
| Foreign currency translation differences – foreign operations               |      | (5,053)          | 8,220     |
| Fair value changes (debt securities)  |      | 80               | 145       |
|   |      | <b>(4,973)</b>   | 8,365     |
| <i>Items that will never be reclassified to profit or loss</i>              |      |                  |           |
| Fair value changes (equity securities)                                      |      | (3,151)          | (42)      |
| Remeasurement of defined benefit asset including related tax                | 26   | 1,337            | (266)     |
|   |      | <b>(1,814)</b>   | (308)     |
| <b>Other comprehensive income, net of tax</b>                               |      | <b>(6,787)</b>   | 8,057     |
| <b>Total comprehensive income for the year</b>                              |      | <b>53,428</b>    | 21,297    |
| <b>Profit for the year attributable to:</b>                                 |      |                  |           |
| Equity holders of the Company   |      | 50,108           | 3,491     |
| Non-controlling interest  |      | 10,107           | 9,749     |
|   |      | <b>60,215</b>    | 13,240    |
| <b>Total comprehensive income for the year attributable to:</b>             |      |                  |           |
| Equity holders of the Company   |      | 43,324           | 11,543    |
| Non-controlling interest  |      | 10,104           | 9,754     |
|   |      | <b>53,428</b>    | 21,297    |
| <b>Basic and diluted earnings per share (Fils)</b>                          | 27   | <b>30.1</b>      | 2.10      |

\*December 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 3(c) for further details.  
The consolidated financial statements, which consist of pages 8 to 64 were approved by the Board of Directors on 21 February 2019 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa  
Chairman

Deputy Chairman

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

**Bahrain Telecommunications Company BSC**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2018**

BD'000

|   | Note | 2018            | 2017*           |
|---|------|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>                               |      |                 |                 |
| Profit for the year                                       |      | 60,215          | 13,240          |
| <b>Adjustment for:</b>                                    |      |                 |                 |
| Non-operating items, including tax                        |      | 12,527          | 45,149          |
| Depreciation amortization and tangible assets impairment  |      | 70,097          | 66,319          |
| Impairment loss on trade receivables and contract assets  |      | 5,311           | 1,979           |
|   |      | <u>148,150</u>  | <u>126,687</u>  |
| <b>Working capital changes:</b>                           |      |                 |                 |
| Increase in trade and other receivables                   |      | (15,996)        | (13,139)        |
| Decrease / (increase) in inventories                      |      | 995             | (3,463)         |
| Decrease in trade and other payables                      |      | (10,240)        | (5,368)         |
| <b>Cash generated from operating activities</b>           |      | <b>122,909</b>  | <b>104,717</b>  |
| Taxes paid  |      | (6,102)         | (5,809)         |
| Payment to charities                                      |      | (2,790)         | (2,087)         |
| <b>Net cash from operating activities</b>                 |      | <b>114,017</b>  | <b>96,821</b>   |
| <b>INVESTING ACTIVITIES</b>                               |      |                 |                 |
| Acquisition of property, equipment and intangibles        |      | (48,286)        | (54,193)        |
| Net cash for purchase of other investments                |      | (6,830)         | (4,430)         |
| Interest and investment income received                   |      | 7,380           | 5,563           |
| <b>Net cash used in investing activities</b>              |      | <b>(47,736)</b> | <b>(53,060)</b> |
| <b>FINANCING ACTIVITIES</b>                               |      |                 |                 |
| Dividend paid   |      | (52,509)        | (54,858)        |
| Interest paid   |      | (11,920)        | (10,890)        |
| Borrowings, net   |      | (1,818)         | 3,699           |
| <b>Net cash used in financing activities</b>              |      | <b>(66,247)</b> | <b>(62,049)</b> |
| <b>Increase / (decrease) in cash and cash equivalents</b> |      | <b>34</b>       | <b>(18,288)</b> |
| Cash and cash equivalents at 1 January                    |      | 96,323          | 114,611         |
| <b>Cash and cash equivalents at 31 December</b>           | 11   | <b>96,357</b>   | <b>96,323</b>   |

\*December 2018 results reflect the adoption of IFRS 15. Prior periods have not been restated. Refer note 3(c) for further details.

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

BD'000

| 2018  | Note | Equity attributable to equity holders of the Company |                      |                    |   |                                     |  |                      |                 | Non -<br>controlling<br>interest | Total<br>equity |
|---|------|--|----------------------|--------------------|---|-------------------------------------|--|----------------------|-----------------|----------------------------------|-----------------|
|   |      | Share<br>capital                                     | Statutory<br>reserve | General<br>reserve | Foreign<br>currency<br>translation<br>reserve | Investment<br>fair value<br>reserve | Post-<br>employment<br>benefit<br>actuarial<br>reserve | Retained<br>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                            | 3(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         |
| <b>Profit for the year</b>  |      | -  | -                    | -                  | -   | -                                   | -  | <b>50,108</b>        | <b>50,108</b>   | <b>10,107</b>                    | <b>60,215</b>   |
| <b>Other comprehensive income</b>                                   |      |  |                      |                    |   |                                     |  |                      |                 |                                  |                 |
| Foreign currency translation differences                            |      | -  | -                    | -                  | (5,049)                                       | -                                   | -  | (1)                  | (5,050)         | (3)                              | (5,053)         |
| Investment fair value changes                                       |      | -  | -                    | -                  | -   | (3,071)                             | -  | -                    | (3,071)         | -                                | (3,071)         |
| Remeasurement of defined benefit liability<br>including related tax | 26   | -  | -                    | -                  | -   | -                                   | 1,337  | -                    | 1,337           | -                                | 1,337           |
| <b>Total other comprehensive income</b>                             |      | -  | -                    | -                  | <b>(5,049)</b>                                | <b>(3,071)</b>                      | <b>1,337</b>   | <b>(1)</b>           | <b>(6,784)</b>  | <b>(3)</b>                       | <b>(6,787)</b>  |
| <b>Total comprehensive income for the year</b>                      |      | -  | -                    | -                  | <b>(5,049)</b>                                | <b>(3,071)</b>                      | <b>1,337</b>   | <b>50,107</b>        | <b>43,324</b>   | <b>10,104</b>                    | <b>53,428</b>   |
| <b>Contributions and distributions</b>                              |      |  |                      |                    |   |                                     |  |                      |                 |                                  |                 |
| Final dividends declared for 2017                                   | 19   | -  | -                    | -                  | -   | -                                   | -  | (24,948)             | (24,948)        | -                                | (24,948)        |
| Donations declared for 2017   |      | -  | -                    | -                  | -   | -                                   | -  | (87)                 | (87)            | -                                | (87)            |
| Transfer from statutory reserve                                     | 18   | -  | (956)                | -                  | 15  | -                                   | -  | 1,091                | 150             | (150)                            | -               |
| Transfer from general reserve                                       | 18   | -  | -                    | (1,890)            | 3   | -                                   | -  | 1,966                | 79              | (79)                             | -               |
| Interim dividends declared for 2018                                 | 19   | -  | -                    | -                  | -   | -                                   | -  | (16,632)             | (16,632)        | -                                | (16,632)        |
| Dividends to non-controlling interest                               |      | -  | -                    | -                  | -   | -                                   | -  | -                    | -               | (10,938)                         | (10,938)        |
| <b>Total contributions and distributions</b>                        |      | -  | <b>(956)</b>         | <b>(1,890)</b>     | <b>18</b>                                     | -                                   | -  | <b>(38,610)</b>      | <b>(41,438)</b> | <b>(11,167)</b>                  | <b>(52,605)</b> |
| <b>At 31 December 2018</b>  |      | <b>166,320</b>                                       | <b>83,160</b>        | <b>44,000</b>      | <b>(18,254)</b>                               | <b>(29,838)</b>                     | <b>(4,328)</b>   | <b>224,188</b>       | <b>465,248</b>  | <b>39,632</b>                    | <b>504,880</b>  |

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

**Bahrain Telecommunications Company BSC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31 December 2018**

BD'000

| 2017  | Note | Equity attributable to equity holders of the Company |                      |                    |   |                                     |  |                      | Total    | Non -<br>controlling<br>interest | Total<br>equity |
|---|------|--|----------------------|--------------------|---|-------------------------------------|--|----------------------|----------|----------------------------------|-----------------|
|   |      | Share<br>capital                                     | Statutory<br>reserve | General<br>reserve | Foreign<br>currency<br>translation<br>reserve | Investment<br>fair value<br>reserve | Post-<br>employment<br>benefit<br>actuarial<br>reserve | Retained<br>earnings |          |                                  |                 |
| 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 year   |      | -  | -                    | -                  | -   | -                                   | -  | 3,491                | 3,491    | 9,749                            | 13,240          |
| Other comprehensive income  |      |  |                      |                    |   |                                     |  |                      |          |                                  |                 |
| Foreign currency translation differences                            |      | -  | -                    | -                  | 8,214   | -                                   | -  | 1                    | 8,215    | 5                                | 8,220           |
| Investment fair value changes                                       |      | -  | -                    | -                  | -   | 103                                 | -  | -                    | 103      | -                                | 103             |
| Remeasurement of defined benefit liability<br>including related tax | 26   | -  | -                    | -                  | -   | -                                   | (266)  | -                    | (266)    | -                                | (266)           |
| Total other comprehensive income                                    |      | -  | -                    | -                  | 8,214   | 103                                 | (266)  | 1                    | 8,052    | 5                                | 8,057           |
| Total comprehensive income for the year                             |      | -  | -                    | -                  | 8,214   | 103                                 | (266)  | 3,492                | 11,543   | 9,754                            | 21,297          |
| Contributions and distributions                                     |      |  |                      |                    |   |                                     |  |                      |          |                                  |                 |
| Final dividends declared for 2016                                   | 19   | -  | -                    | -                  | -   | -                                   | -  | (24,948)             | (24,948) | -                                | (24,948)        |
| Donations declared for 2016   |      | -  | -                    | -                  | -   | -                                   | -  | (941)                | (941)    | -                                | (941)           |
| Interim dividends declared for 2017                                 | 19   | -  | -                    | -                  | -   | -                                   | -  | (16,632)             | (16,632) | -                                | (16,632)        |
| Dividends to non-controlling interest                               |      | -  | -                    | -                  | -   | -                                   | -  | -                    | -        | (13,277)                         | (13,277)        |
| Total contributions and distributions                               |      | -  | -                    | -                  | -   | -                                   | -  | (42,521)             | (42,521) | (13,277)                         | (55,798)        |
| At 31 December 2017   |      | 166,320  | 84,116               | 45,890             | (13,223)                                      | (26,767)                            | (5,665)  | 211,212              | 461,883  | 40,584                           | 502,467         |

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

## 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 2018 comprise the financial statements of the Company, and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows:

| Company  | Country of incorporation | Principal activity         | Share Holding (%) |
|--|--------------------------|----------------------------|-------------------|
| <b>Subsidiaries</b>  |                          |                            |                   |
| Batelco Middle East Holding Co. BSC (c)                      | Kingdom of Bahrain       | Holding Company            | 100               |
| NBNETCO B.S.C.(c)  | Kingdom of Bahrain       | Telecommunication services | 100               |
| Batelco International Company BSC (c)                        | Kingdom of Bahrain       | Holding Company            | 100               |
| Batelco Middle East Jordan LLC                               | Kingdom of Jordan        | Holding Company            | 100               |
| Umniah Mobile Company PSC                                    | Kingdom of Jordan        | Telecommunication services | 96                |
| Batelco Jordan PSC   | Kingdom of Jordan        | Telecommunication services | 96                |
| Urcell Telecom & Technologies Services LLC                   | Kingdom of Jordan        | Telecommunication services | 96                |
| Umniah for Renewable energy                                  | Kingdom of Jordan        | Renewable energy           | 96                |
| QualityNet General Trading and Contracting Company WLL       | State of Kuwait          | Telecommunication services | 90                |
| Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)                      | Maldives                 | Telecommunication services | 52                |
| Sure (Guernsey) Limited                                      | Guernsey                 | Telecommunication services | 100               |
| Sure (Jersey) Limited  | Bailiwick of Jersey      | Telecommunication services | 100               |
| Foreshore Limited  | Bailiwick of Jersey      | Telecommunication services | 100               |
| Sure (Isle of Man) Limited                                   | Isle of Man              | Telecommunication services | 100               |
| Sure (Diego Garcia) Limited                                  | Bermuda                  | Telecommunication services | 100               |
| Sure South Atlantic Limited                                  | Falklands                | Telecommunication services | 100               |
| BMIC Limited   | Mauritius                | Holding Company            | 100               |
| Batelco Egypt Communications (S.A.E.)                        | Arab Republic of Egypt   | Telecommunication services | 100               |
| Batelco International Group Holding Limited                  | Bailiwick of Jersey      | Holding Company            | 100               |
| Batelco International Finance No1 Limited                    | Cayman Islands           | Holding Company            | 100               |
| BTC Islands Limited  | United Kingdom           | Holding Company            | 100               |
| BTC Sure Group Limited (formerly BTC South Atlantic Limited) | United Kingdom           | Holding Company            | 100               |
| <b>Associate</b>   |                          |                            |                   |
| Yemen Company for Mobile Telephony Y.S.C (“Sabafon”)         | Republic of Yemen        | Telecommunication services | 26.94             |

## 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.

This is the first set of the Group's consolidated financial statements in which IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 3 (c).

### b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for measurement of certain investment securities 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 consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

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

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

- Note 3 c) Revenue recognition including allocation of revenue from bundled contracts
- Note 3 m) (i) & 4 a) (i) Impairment test for trade receivables and contract assets: key assumptions underlying expected credit losses
- Note 3 p) & 16 Recognition of deferred tax assets: availability of future taxable profits against which carry forward tax losses can be used
- Note 3 m) (ii) 6 & 8 Impairment of non-financial assets: measurement of the recoverable amounts of cash-generating units and investment in associates
- Note 3 n) (iii) & 26 Measurement of defined benefit obligations: key actuarial assumptions
- Note 3 d), 3 h), 5 & 7 Capitalisation and useful lives of property, plant and equipment and other intangible assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

BD'000

2 BASIS OF PREPARATION (continued)

**e) Amendments and interpretations effective from 1 January 2018**

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Group:

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The amendments are effective for annual periods beginning on or after 1 January 2018.

To satisfy the new disclosure requirements, the Group has presented the impact of transition to IFRS 15 (Refer Note 3 (c) and Note 21).

**ii. IFRS 9 Financial Instruments**

The Group has early adopted IFRS 9 with a date of initial application of 1 January 2016.

**iii. Annual Improvements to IFRSs 2014–2016 Cycle – various standards**

The annual improvements to IFRSs 2014-2016 cycles include certain amendments to various IFRSs. 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 adoption of these amendments had no significant impact on the consolidated financial statements.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 are earlier application is permitted, however, the Group has not early adopt the new or amended standards in preparing these consolidated financial statements.

**i. IFRS 16 Leases**

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

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

The Group will recognise new assets and liabilities for its operating leases of telecom sites, retail shops and other rented premises and equipment. The nature of expenses related to those leases will now



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

BD'000

**2 BASIS OF PREPARATION (continued)**

**f) New Standards, amendments and interpretations issued but not yet effective (Continued)**

change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities and a corresponding right of use of asset of BD 40,239 as at 1 January 2019. The management is currently assessing the full impact of changes in its accounting policy, nature and type of leases that would be recognised under IFRS 16. The volatility on the consolidated statement of comprehensive income is not expected to be significant.

No significant impact is expected for leases in which the Group is a lessor.

**ii. 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) or an asset.

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

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the Group's entities, except for changes arising from the adoption of IFRS 15 as set out in note 3 (c).

**a) Basis of consolidation**

**(i) Business combinations**

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

BD'000

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Basis of consolidation (continued)**

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

When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated profit or loss.

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

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

**(ii) Subsidiaries**

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

**(iii) Non-controlling interests (NCI)**

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

**(iv) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for investment securities depending on the level of influence retained.

**(v) Investment in associates**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## a) Basis of consolidation (continued)

## (vi) Transactions eliminated on consolidation

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

## b) Foreign currency

## (i) Foreign currency transactions

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

## (ii) Financial statements of foreign operations

The assets and liabilities including goodwill and fair value adjustments arising on acquisition of the Group's subsidiaries and associates based outside the Kingdom of Bahrain ("foreign operations") are translated into Bahraini Dinars at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year. Exchange differences arising on translation of foreign operations are recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

When foreign operation is disposed of in its entirety such that control is lost, cumulative amount in the translation reserve is reclassified to consolidated profit or loss as part of the gain or loss on disposal.

## c) Revenue

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.

|                          | Previously reported | 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

BD'000

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## c) Revenue (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 consolidated statement of financial position as at 31 December 2018 and its consolidated statement of comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's consolidated statement of cash flows for the year ended 31 December 2018.

*Impact on the consolidated statement of financial position.*

**As at 31 December 2018**

|   | As reported    | Adjustments    | Amounts without adoption of IFRS 15 |
|---|----------------|----------------|-------------------------------------|
| <b>Non-current assets</b>   | <b>598,776</b> | <b>65</b>      | <b>598,841</b>                      |
| <b>Current assets</b>   |                |                |                                     |
| Inventories   | 6,659          | -              | 6,659                               |
| Trade and other receivables                                       | 124,525        | (4,645)        | 119,880                             |
| Other investments   | 12,839         | -              | 12,839                              |
| Cash and bank balances  | 142,763        | -              | 142,763                             |
| Asset held-for-sale   | 26,814         | -              | 26,814                              |
| <b>Total current assets</b>                                       | <b>313,600</b> | <b>(4,645)</b> | <b>308,955</b>                      |
| <b>Total non-current liabilities</b>                              | <b>226,375</b> | <b>-</b>       | <b>226,375</b>                      |
| <b>Current liabilities</b>  |                |                |                                     |
| Trade and other payables  | 136,612        | (1,084)        | 135,528                             |
| Loans and borrowings  | 24,878         | -              | 24,878                              |
| Liabilities directly associated with asset held-for-sale          | 19,631         | -              | 19,631                              |
| <b>Total current liabilities</b>                                  | <b>181,121</b> | <b>(1,084)</b> | <b>180,037</b>                      |
| <b>Net assets</b>   | <b>504,880</b> | <b>(3,496)</b> | <b>501,384</b>                      |
| <b>Equity</b>   |                |                |                                     |
| Share capital   | 166,320        | -              | 166,320                             |
| Retained earnings and other reserves                              | 298,928        | (3,115)        | 295,813                             |
| <b>Total equity attributable to equity holders of the Company</b> | <b>465,248</b> | <b>(3,115)</b> | <b>462,133</b>                      |
| Total non-controlling interest                                    | 39,632         | (381)          | 39,251                              |
| <b>Total equity</b>   | <b>504,880</b> | <b>(3,496)</b> | <b>501,384</b>                      |

*Impact on the consolidated statement of Comprehensive Income*

**For the year ended 31 December 2018**

|  | As reported   | Adjustments    | Amounts without adoption of IFRS 15 |
|--|---------------|----------------|-------------------------------------|
| Revenue                                  | 405,853       | (377)          | 405,476                             |
| Total expenses                           | (333,111)     | (1,812)        | (334,923)                           |
| <b>Results from operating activities</b> | <b>72,742</b> | <b>(2,189)</b> | <b>70,553</b>                       |
| Non-operating items                      | (12,527)      | 293            | (12,234)                            |
| <b>Profit for the year</b>               | <b>60,215</b> | <b>(1,896)</b> | <b>58,319</b>                       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

## c) Revenue (continued)

**Nature of goods and service**

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 policy (Nature and timing of satisfaction of performance obligation)  | Change from previous accounting policy   |
|-------------------------------|---|--|
| Sale of Equipment             | <p>Revenue from handset and other equipment sales is recognised when the product is delivered, and on transfer of control to the customer.</p> <p>If 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>For equipment sold with the right of return after the control has been passed onto the customer, the Group defers revenue based on the expected returns per the historical return data for the last 24 months. Such revenue will need to be recognized only when the related return period expires.</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 (note 10).</p> |
| Provision of Network 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. (note 21).</p>   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Revenue (continued)**

**(i) Contract assets**

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.

**(ii) Contract liabilities**

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.

**(iii) Customer loyalty**

The customer loyalty points will be recognised as revenue when the points are redeemed by customers, which is expected to occur over the next years.

**d) 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; and
- 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

## d) Property and equipment (continued)

## (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.

## e) 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.

## f) 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 consolidated profit or loss 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 consolidated profit or loss on a straight-line basis over the lease term.

## g) Goodwill

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

**h) Other intangible assets**

Other intangible assets comprise license fees, trade name, customer relationships and 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 future economic benefits embodied in specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in 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, non-network software and IRUs | 3 – 20                        |

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

**i) Financial assets and financial liabilities***(i) Recognition and initial measurement*

All “regular way” purchases and sales of financial assets are recognised on the settlement date, i.e. the date that the Group receives or delivers the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

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

*(ii) Classification***Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (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:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

The Group currently classified all its receivables and financial liabilities at amortised cost except for contingent consideration payable which is measured at FVTPL and other investments (debt and equity) which are carried at either FVTPL or FVOCI.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

*Derecognition*

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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 expense using the effective interest method;
- Expected Credit Losses (ECL) and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

**j) Share capital**

The Company has one class of equity shares. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

**k) 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. Inventories comprise of mobile handsets, cable and wires and other inventories.

**l) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the year end and are discounted to present value where the effect is material.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment

(i) Financial assets

The Group measures loss allowances for its trade and other receivables arising from its revenue generating activities at an amount equal to lifetime Expected Credit Loss (ECL) using the simplified approach permitted under IFRS 9. For other financial instruments, the Group applies the general approach, where if credit risk has not increased significantly since their initial recognition, impairment is measured as 12-month ECL and for all other instances lifetime ECL is recognised.

Under the general approach, the Group applies three-stage approach to measuring ECL on financial assets carried at amortised cost (including long term loans included within the carrying value of investment in associates) and debt instruments classified as FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

a) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

b) Stage Classification: General approach

**Stage 1: 12 months ECL**

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

**Stage 2: Lifetime ECL - not credit impaired**

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

**Stage 3: Lifetime ECL - credit impaired**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

BD'000

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment (continued)

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.

n) Employee benefits

(i) Local employees

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

(ii) Expatriate employees

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

(iii) Defined benefit scheme

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*n) Employee benefits (continued)*

*(iv) Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

*(v) Employee savings scheme*

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

*(vi) Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

**o) Borrowing cost**

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the construction of an asset that takes a substantial period to get ready for its intended use or sale, in which case borrowing costs are capitalised as part of that asset.

**p) 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.

**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 (refer to note 32).

**s) Fair value measurement for financial instrument**

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

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

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

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

**t) Asset held-for-sale**

*(i) Classification*

The Group classifies non-current assets as held-for-sale if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable in accordance with IFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations".

*(ii) Measurement*

Non-current assets classified as held-for-sale are measured at the lower of its carrying amount and fair value less costs to sell.

If the criteria for classification as held-for-sale are no longer met, the Group ceases to classify the asset as held-for-sale and measures the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

The Group has also established a centralised Group treasury function which works under the overall supervision of the Board of Directors of the Group and provides support to the Group for funding, foreign exchange, interest rate management and counterparty risk management. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Group's Board of Directors. The Group's accounting function provides regular reports of the treasury activity to the Board of Directors. The Group's internal auditors review the internal control environment regularly. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Group or the Group's approach to the management of those risks.

##### 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, contract assets, other receivables, long term financing to associates, debt investment securities and cash at bank.

##### (i) Trade receivables and contract assets

The Group's trade receivables are monitored based on its customer segmentation and geographical areas. The Group has an established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit limits are established for each customer, which represents the maximum open amount without requiring approval. Strict credit control is maintained for both credit period and credit limits, both of which are monitored continuously by management. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

a) Credit risk (continued)

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. The majority of the Group's net trade receivables are due for payment within 90 days and largely comprise amounts receivable from consumers and business customers. The Group obtains deposits for providing services to some residential customers.

The Group establishes an allowance for impairment that represents its estimate of life time expected losses in respect of trade receivables and contract assets. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets aggregated based on customer segment and days past due. For receivables from telecom operators and government accounts in the customer segment, 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 and contract assets from customers, accounts are segmented by type of exposure such as consumer, enterprise, and others accounts and collective life-time ECL allowance is determined based on historical flow rates, data on payment statistics, actual credit loss experience and management estimates of recoveries based on current status of negotiations and settlement with the customers. The historic loss experience is adjusted to reflect differences between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the remaining life-time of the receivables. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables and contract assets (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. Long-term financing to associate forms part of the carrying value of the investment in that associate.

(iii) Debt Investments and cash and bank balances

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

The calculated expected credit loss of cash and bank balances is not material for recognition purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## a) Credit risk (continued)

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

The carrying amount of financial assets (excluding equity investments) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|   | 2018           | 2017    |
|---|----------------|---------|
| Trade receivables – customer accounts                           | 34,449         | 33,674  |
| Contract assets – customer accounts                             | 26,788         | 24,785  |
| Total trade receivables and contract assets – customer accounts | <b>61,237</b>  | 58,459  |
| Trade receivables – telecom operators                           | 14,562         | 16,075  |
| Other receivables   | 41,966         | 49,579  |
| Other investments (debt securities)                             | 46,801         | 34,527  |
| Cash at bank  | 142,344        | 158,703 |
|   | <b>306,910</b> | 317,343 |

|   | 2018                  |   | 2017                  |   |
|---|-----------------------|---|-----------------------|---|
|   | Gross carrying amount | Specific Life-time ECL, credit impaired | Gross carrying amount | Specific Life-time ECL, credit impaired |
| <b>Trade receivables– telecom operators</b> |                       |   |                       |   |
| Externally rated                            |                       |   |                       |   |
| Low risk (BBB- to AAA)                      | 7,495                 | (289)                                   | 6,283                 | (235)                                   |
| Medium risk (B- to BB+)                     | 7,712                 | (1,795)                                 | 5,922                 | (462)                                   |
| Higher risk (below C)                       | 389                   | (93)                                    | -                     | -                                       |
| Unrated                                     | 1,150                 | (7)                                     | 6,156                 | (1,589)                                 |
|   | <b>16,746</b>         | <b>(2,184)</b>                          | 18,361                | (2,286)                                 |

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

|  | 2018                      |   |               | 2017                      |   |         |
|--|---------------------------|---|---------------|---------------------------|---|---------|
|  | Collective life-time ECL, | Specific life-time ECL, credit impaired | Total         | Collective life-time ECL, | Specific life-time ECL, credit impaired | Total   |
| At 1 January                               | 2,209                     | 22,972                                  | 25,181        | 1,385                     | 23,318                                  | 24,703  |
| Written off during the year                | -                         | (1,091)                                 | (1,091)       | -                         | (1,418)                                 | (1,418) |
| Impairment loss recognised during the year | 246                       | 5,065                                   | 5,311         | 824                       | 1,155                                   | 1,979   |
| Provision related to held-for-sale asset   | (14)                      | (4,380)                                 | (4,394)       | -                         | -                                       | -       |
| Effect of movements in exchange rates      | 10                        | 108                                     | 118           | -                         | (83)                                    | (83)    |
| Balance at 31 December                     | <b>2,451</b>              | <b>22,674</b>                           | <b>25,125</b> | 2,209                     | 22,972                                  | 25,181  |

Receivables from government, telecom operators and other receivables beyond 365 days, 180 days and 90 days past due respectively are considered triggers for credit impairment and are specifically assessed for establishing ECL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## a) Credit risk (continued)

## (v) Customer accounts including contract assets

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

| Operating segment | 2018          | 2017          |
|-------------------|---------------|---------------|
| Bahrain           | 38,814        | 36,163        |
| Jordan            | 11,999        | 8,335         |
| Maldives          | 8,592         | 6,423         |
| Sure              | 1,760         | 2,934         |
| Other countries   | 72            | 4,604         |
|                   | <b>61,237</b> | <b>58,459</b> |

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

| Customer segment | 2018          | 2017          |
|------------------|---------------|---------------|
| Consumer         | 25,008        | 26,388        |
| Enterprise       | 22,836        | 21,170        |
| Others           | 5,407         | 3,804         |
|                  | <b>53,251</b> | <b>51,362</b> |

Customer accounts  
(except government)

|                                  | 2018           |                 |                 | 2017           |                 |                 |
|----------------------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|
|                                  | Gross exposure | Life-time ECL   | Credit Impaired | Gross exposure | Life-time ECL   | Credit Impaired |
| Current (0 – 30 days)            | 37,372         | (356)           | No              | 36,239         | (406)           | No              |
| 31 – 90 days                     | 11,252         | (1,388)         | No              | 9,258          | (1,048)         | No              |
| 91 – 365 days                    | 8,711          | (5,090)         | Yes             | 8,329          | (3,396)         | Yes             |
| More than 1 year                 | 17,200         | (14,450)        | Yes             | 18,641         | (16,255)        | Yes             |
| <b>Balance as at 31 December</b> | <b>74,535</b>  | <b>(21,284)</b> |                 | <b>72,467</b>  | <b>(21,105)</b> |                 |

Consumer, enterprise and other receivables balances that are past due for more than 90 days are considered to be in default and credit impaired. Government accounts are provided for based on specific assessment and are net of expected credit losses provision of BD 1,658 thousand (2017: BD 1,790 thousand)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## a) Credit risk (continued)

## (vi) Amounts due from telecom operators including contract assets

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

|                          | 2018          | 2017          |
|--------------------------|---------------|---------------|
| <b>Telecom operators</b> |               |               |
| International operators  | 8,888         | 12,168        |
| Local operators          | 5,674         | 3,907         |
|                          | <b>14,562</b> | <b>16,075</b> |

## 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 2018  | Carrying amount | Contractual cash flows | Within one year | 1-2 Years      | More than two years |
|---|-----------------|------------------------|-----------------|----------------|---------------------|
| Trade payables  | 35,295          | 35,295                 | 35,295          | -              | -                   |
| Accrued expenses, contract liabilities and other payables | 58,141          | 58,141                 | 58,141          | -              | -                   |
| Amount due to telecommunications operators                | 10,087          | 10,087                 | 10,087          | -              | -                   |
| Loans and borrowings                                      | 236,780         | 247,368                | 32,456          | 190,565        | 24,347              |
|   | <b>340,303</b>  | <b>350,891</b>         | <b>135,979</b>  | <b>190,565</b> | <b>24,347</b>       |

| Non-derivative financial liabilities at 31 December 2017 | Carrying amount | Contractual cash flows | Within one year | 1-2 Years     | More than two years |
|--|-----------------|------------------------|-----------------|---------------|---------------------|
| Trade payables   | 38,655          | 38,655                 | 38,655          | -             | -                   |
| Accrued expenses and other payables                      | 77,335          | 77,335                 | 77,335          | -             | -                   |
| Amount due to telecommunications operators               | 14,067          | 14,067                 | 14,067          | -             | -                   |
| Loans and borrowings                                     | 238,195         | 257,968                | 24,519          | 17,307        | 216,142             |
|  | <b>368,252</b>  | <b>388,025</b>         | <b>154,576</b>  | <b>17,307</b> | <b>216,142</b>      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## c) Market risk

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

## (i) Currency risk

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

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 2018 was 3.57% (2017: 3.02%).

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

|                                  | 2018    | 2017    |
|----------------------------------|---------|---------|
| <b>Fixed rate instruments</b>    |         |         |
| Financial assets                 | 50,426  | 43,684  |
| Financial liabilities            | 177,817 | 177,472 |
| <b>Variable rate instruments</b> |         |         |
| Financial assets                 | 115,632 | 117,440 |
| Financial liabilities            | 58,963  | 60,723  |

*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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

c) Market risk (continued)

(ii) Interest rate risk (Continued)

*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 567 (2017: BD 567). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other price risk

The primary goal of the Group's investment strategy is to ensure risk free returns and invest surplus fund available with the Group in risk free securities. Market price risk arises from investments held by the Group (refer Note 9). The Group Treasury Function monitors its investment portfolio based on market expectations and credit worthiness of the underlying investees. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Group's Board of Directors.

d) Capital management

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## e) Accounting classification of financial instruments

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

| 31 December 2018                            | At amortised cost | Fair value through OCI | Fair value through profit or loss | Total carrying amount |
|---|-------------------|------------------------|-----------------------------------|-----------------------|
| <b>Financial assets</b>                     |                   |                        |                                   |                       |
| Other investments at fair value             | -                 | 50,996                 | 103                               | 51,099                |
| Trade receivables and contract assets – net | 75,799            | -                      | -                                 | 75,799                |
| Other receivables                           | 41,966            | -                      | -                                 | 41,966                |
| Cash and bank balances                      | 142,763           | -                      | -                                 | 142,763               |
|   | <b>260,528</b>    | <b>50,996</b>          | <b>103</b>                        | <b>311,627</b>        |

|   |                |          |          |                |
|---|----------------|----------|----------|----------------|
| <b>Financial liabilities</b>                              |                |          |          |                |
| Trade payables  | 35,295         | -        | -        | 35,295         |
| Accrued expenses, contract liabilities and other payables | 58,141         | -        | -        | 58,141         |
| Amounts due to telecommunications operators               | 10,087         | -        | -        | 10,087         |
| Loans and borrowings                                      | 236,780        | -        | -        | 236,780        |
|   | <b>340,303</b> | <b>-</b> | <b>-</b> | <b>340,303</b> |

| 31 December 2017                            | At amortised cost | Fair value through OCI | Fair value through profit or loss | Total carrying amount |
|---|-------------------|------------------------|-----------------------------------|-----------------------|
| <b>Financial assets</b>                     |                   |                        |                                   |                       |
| Other investments at fair value             | -                 | 41,488                 | 104                               | 41,592                |
| Trade receivables and contract assets – net | 74,534            | -                      | -                                 | 74,534                |
| Other receivables                           | 49,579            | -                      | -                                 | 49,579                |
| Cash and bank balances                      | 158,703           | -                      | -                                 | 158,703               |
|   | <b>282,816</b>    | <b>41,488</b>          | <b>104</b>                        | <b>324,408</b>        |

|   |                |          |              |                |
|---|----------------|----------|--------------|----------------|
| <b>Financial liabilities</b>                |                |          |              |                |
| Trade payables                              | 38,655         | -        | -            | 38,655         |
| Accrued expenses and other payables         | 75,208         | -        | 2,127        | 77,335         |
| Amounts due to telecommunications operators | 14,067         | -        | -            | 14,067         |
| Loans and borrowings                        | 238,195        | -        | -            | 238,195        |
|   | <b>366,125</b> | <b>-</b> | <b>2,127</b> | <b>368,252</b> |

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

f) Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortised cost except for certain investments (refer note 3 (i)) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

## f) Measurement of fair values (continued)

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

| 31 December 2018  | Fair value |         |         |                  | Total carrying amount |
|---|------------|---------|---------|------------------|-----------------------|
|   | Level 1    | Level 2 | Level 3 | Total fair value |                       |
| <b>Financial assets at fair value through Profit and Loss (FVTPL)</b> |            |         |         |                  |                       |
| Other investments – equity securities                                 | -          | -       | 103     | 103              | 103                   |
| <b>Financial assets at fair value through OCI</b>                     |            |         |         |                  |                       |
| Other investments – debt and equity securities                        | 37,773     |         | 13,223  | 50,996           | 50,996                |
| <b>Financial liabilities not measured at fair value</b>               |            |         |         |                  |                       |
| Loans and borrowings  | 174,734    | -       | 58,963  | 233,697          | 236,780               |

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 5 PROPERTY AND EQUIPMENT

| 31 December 2018                      | Land and buildings | Network assets & telecom equipment | Motor vehicles, furniture, fittings & office equipment | Assets under construction | Total 2018     |
|---------------------------------------|--------------------|------------------------------------|--|---------------------------|----------------|
| <b>Cost</b>                           |                    |                                    |  |                           |                |
| At 1 January                          | 83,302             | 544,815                            | 44,231   | 55,648                    | 727,996        |
| Additions                             | -                  | 2,704                              | 873  | 33,472                    | 37,049         |
| Projects completed                    | 629                | 36,286                             | 1,960  | (38,875)                  | -              |
| Disposals                             | (6,489)            | (17,193)                           | (1,105)  | (364)                     | (25,151)       |
| Transfer to asset held-for-sale       | -                  | (10,492)                           | (1,120)  | (633)                     | (12,245)       |
| Impairment *                          | -                  | -                                  | -  | (1,300)                   | (1,300)        |
| Effect of movements in exchange rates | (322)              | (2,399)                            | (1,442)  | (277)                     | (4,440)        |
| <b>At 31 December</b>                 | <b>77,120</b>      | <b>553,721</b>                     | <b>43,397</b>  | <b>47,671</b>             | <b>721,909</b> |
| <b>Depreciation</b>                   |                    |                                    |  |                           |                |
| At 1 January                          | 54,720             | 368,129                            | 30,383   | -                         | 453,232        |
| Charge for the year                   | 1,306              | 39,759                             | 3,931  | -                         | 44,996         |
| Disposals                             | (1,849)            | (16,999)                           | (1,105)  | -                         | (19,953)       |
| Transfer to asset held-for-sale       | -                  | (9,815)                            | (978)  | -                         | (10,793)       |
| Effect of movements in exchange rates | (149)              | (1,583)                            | (1,151)  | -                         | (2,883)        |
| <b>At 31 December</b>                 | <b>54,028</b>      | <b>379,491</b>                     | <b>31,080</b>  | <b>-</b>                  | <b>464,599</b> |
| <b>Net book value</b>                 |                    |                                    |  |                           |                |
| <b>At 31 December 2018</b>            | <b>23,092</b>      | <b>174,230</b>                     | <b>12,317</b>  | <b>47,671</b>             | <b>257,310</b> |

\* During 2018, the Group reassessed carrying value of an asset under construction, based on the estimated recoverable value. This resulted in an impairment charge of BD 1,300 which was recognised during the year.

For a list of properties owned and rented by the Company, please refer to note 33.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 5 PROPERTY AND EQUIPMENT (continued)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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**6 GOODWILL**

|                                | <b>2018</b>    | 2017     |
|--------------------------------|----------------|----------|
| At 1 January                   | 136,602        | 155,053  |
| Exchange rate adjustments      | (1,235)        | 1,549    |
| Impairment charge for the year | -              | (20,000) |
| At 31 December                 | <b>135,367</b> | 136,602  |

**a) Analysis of Goodwill**

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

|          | <b>2018</b>    | 2017    |
|----------|----------------|---------|
| Jordan   | 91,318         | 91,200  |
| Maldives | 21,871         | 21,871  |
| Sure     | 22,143         | 23,494  |
| Others   | 35             | 37      |
|          | <b>135,367</b> | 136,602 |

**b) Impairment of goodwill**

- (i) The Group tests for impairment of goodwill annually or more frequently if there are any indications that impairment may have arisen. The recoverable amount of a Cash Generating Unit has been determined based on fair values less costs to sell. Fair values less costs to sell are estimated by using a combination of the capitalised earnings approach and a market approach comparing the same with those of other telecom companies within the region.
- (ii) The key assumptions for the fair values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations range between 8.5% to 12.1%.
- (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 more than its carrying value and accordingly no impairment loss has been recognised in 2018 (2017: BD 20 million impairment charge) in respect of goodwill allocated to Jordan CGU. For Maldives, Sure and other locations, recoverable amounts exceed the carrying value by a comfortable range. Refer note on segment reporting (note 32) for details of net assets (including goodwill and intangibles) attributable to each CGU.

## 7 OTHER INTANGIBLE ASSETS

## 31 December 2018

**Cost**

|                                       |         |         |         |
|---------------------------------------|---------|---------|---------|
| At 1 January                          | 166,696 | 103,891 | 270,587 |
| Additions during the year             | 526     | 9,757   | 10,283  |
| Reclassification                      | 4,026   | (4,026) | -       |
| Disposals during the year             | -       | (266)   | (266)   |
| Transfer to asset held-for-sale       | (3,605) | (2,400) | (6,005) |
| Effect of movements in exchange rates | (2,049) | (1,617) | (3,666) |

**At 31 December****Amortisation**

|                                       |         |         |         |
|---------------------------------------|---------|---------|---------|
| At 1 January                          | 67,132  | 68,986  | 136,118 |
| Charge for the year                   | 12,655  | 11,146  | 23,801  |
| Reclassification                      | 1,378   | (1,378) | -       |
| Disposals during the year             | -       | (265)   | (265)   |
| Transfer to asset held-for-sale       | (3,605) | (1,662) | (5,267) |
| Effect of movements in exchange rates | (808)   | (1,240) | (2,048) |

**At 31 December****Net book value****At 31 December 2018**

|                                       | Licenses       | Others         | Total          |
|---------------------------------------|----------------|----------------|----------------|
| <b>Cost</b>                           |                |                |                |
| At 1 January                          | 166,696        | 103,891        | 270,587        |
| Additions during the year             | 526            | 9,757          | 10,283         |
| Reclassification                      | 4,026          | (4,026)        | -              |
| Disposals during the year             | -              | (266)          | (266)          |
| Transfer to asset held-for-sale       | (3,605)        | (2,400)        | (6,005)        |
| Effect of movements in exchange rates | (2,049)        | (1,617)        | (3,666)        |
| <b>At 31 December</b>                 | <b>165,594</b> | <b>105,339</b> | <b>270,933</b> |
| <b>Amortisation</b>                   |                |                |                |
| At 1 January                          | 67,132         | 68,986         | 136,118        |
| Charge for the year                   | 12,655         | 11,146         | 23,801         |
| Reclassification                      | 1,378          | (1,378)        | -              |
| Disposals during the year             | -              | (265)          | (265)          |
| Transfer to asset held-for-sale       | (3,605)        | (1,662)        | (5,267)        |
| Effect of movements in exchange rates | (808)          | (1,240)        | (2,048)        |
| <b>At 31 December</b>                 | <b>76,752</b>  | <b>75,587</b>  | <b>152,339</b> |
| <b>Net book value</b>                 |                |                |                |
| <b>At 31 December 2018</b>            | <b>88,842</b>  | <b>29,752</b>  | <b>118,594</b> |

## 31 December 2017

**Cost**

|                                       |         |        |         |
|---------------------------------------|---------|--------|---------|
| At 1 January                          | 163,975 | 93,897 | 257,872 |
| Additions during the year             | 1,361   | 8,825  | 10,186  |
| Disposals during the year             | (1,436) | (988)  | (2,424) |
| Effect of movements in exchange rates | 2,796   | 2,157  | 4,953   |

**At 31 December****Amortisation**

|                                       |         |        |         |
|---------------------------------------|---------|--------|---------|
| At 1 January                          | 56,574  | 60,812 | 117,386 |
| Charge for the year                   | 11,136  | 7,893  | 19,029  |
| Disposals during the year             | (1,436) | (988)  | (2,424) |
| Effect of movements in exchange rates | 858     | 1,269  | 2,127   |

**At 31 December****Net book value****At 31 December 2017**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**8 INVESTMENT IN ASSOCIATE**

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

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

|                                  | <b>2018</b>   | 2017          |
|----------------------------------|---------------|---------------|
| At 1 January                     | 34,836        | 68,806        |
| Share of loss of associate (net) | (6,976)       | (3,970)       |
| Impairment                       | -             | (30,000)      |
| <b>At 31 December</b>            | <b>27,860</b> | <b>34,836</b> |

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2018; 2017: unaudited and as of 30 November 2017) is as follows:

|                         | <b>2018</b> | 2017     |
|-------------------------|-------------|----------|
| Non-current assets      | 67,810      | 74,973   |
| Current assets          | 59,474      | 70,177   |
| Non-current liabilities | (55,257)    | (61,776) |
| Current liabilities     | (70,500)    | (61,024) |
| Revenues                | 51,262      | 61,223   |
| Net loss for the period | (13,568)    | (859)    |

During 2018, the Group assessed impairment of the associate due to the uncertainty associated with the ongoing situation in Yemen. The recoverable amount has been assessed at higher of fair value less cost of disposal and value-in-use basis. The assessment was made based on time required for the business and economy to stabilize and projected future business plans for a period of 5 years assuming normalized operations around its historical level. The post-tax discount rates used for the calculation is 14 % taking into consideration the uncertainty over amount and timing of future cash flows, uncertainty inherent in the asset, illiquidity and other factors reflected in valuing the expected future cash flows. The Group also considered the business potential, market conditions, sustainable margins and future cash flows that the Company would be able to generate in the projection period.

The impairment assessment indicated that the recoverable amount would exceed the current carrying value at 31 December 2018 and hence no additional impairment has been considered in these consolidated financial statements (2017: impairment loss BD 30M) in respect of the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 9 OTHER INVESTMENTS

|   |       | <b>2018</b>   | 2017   |
|---|-------|---------------|--------|
| a. At Fair Value Through Other Comprehensive Income (FVOCI) |       |               |        |
| - Debt securities   | (i)   | 46,801        | 34,527 |
| - Equity securities   | (ii)  | 4,195         | 6,961  |
| b. At Fair Value Through Profit and Loss (FVTPL)            |       |               |        |
| - Equity securities   |       | 103           | 104    |
|   |       | 51,099        | 41,592 |
| Investment properties                                       | (iii) | 6,997         | -      |
|   |       | <b>58,096</b> | 41,592 |

Other investments are classified as follows:

|                    | <b>2018</b>   | 2017   |
|--------------------|---------------|--------|
| Current assets     | 12,839        | -      |
| Non-current assets | 45,257        | 41,592 |
|                    | <b>58,096</b> | 41,592 |

(i) Debt securities comprise Group's investment in:

- Bahrain Sovereign Bonds amounting BD 34.0 million (2017: BD 34.5 million). These bonds have maturity dates ranging from 2020 to 2023, carry a fixed semi-annual coupon interest ranging from 5.5% to 6.125% per annum on the face value; and
- Kingdom of Bahrain treasury bills amounting BD 12.8 million (2017: nil). These bills have maturity dates ranging from 3 to 6 months and carry interest ranging from 4.248% to 4.402% per annum on the face value. At 31 December 2018, all of these bills were classified under current assets as maturing within the next 12 months.

(ii) Equity securities at FVOCI include:

- BD 3.8 million (2017: BD 6.9 million) representing market value of equity investment in Etihad Atheeb Telecommunications Company ("the investee"), a company listed on Saudi Stock Exchange. In 2018, the market value of the investment declined by BD 3.5 million and was recognised in consolidated statement of other comprehensive income.
- BD 0.4 million (2017: nil) representing Group's investment in Al Waha Venture Capital Fund of Funds, which is closed ended Bahrain domiciled PIU managed by Bahrain Development Bank.

(iii) Investment properties comprise Group's investment in certain land plots in an overseas territory that were acquired during 2018 as part of an exchange transaction. The fair value of the properties at 31 December 2018 was estimated at BD 11.8 million based on a valuation by qualified independent valuers and classified as level 2.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

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**10 TRADE AND OTHER RECEIVABLES**

|                                    | <b>2018</b>    | 2017           |
|------------------------------------|----------------|----------------|
| Trade receivables                  | 74,136         | 74,930         |
| Contract assets (unbilled revenue) | 26,788         | 24,785         |
| Less impairment allowance          | (25,125)       | (25,181)       |
|                                    | <b>75,799</b>  | <b>74,534</b>  |
| Prepaid expenses                   | 6,760          | 8,396          |
| Other receivables                  | 41,966         | 49,579         |
|                                    | <b>124,525</b> | <b>132,509</b> |

The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance at 1 January 2018 (refer note 3 (c)).

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

|                                    | <b>2018</b>   | 2017          |
|------------------------------------|---------------|---------------|
| Customer accounts                  | 34,449        | 33,674        |
| Telecom operators                  | 14,562        | 16,075        |
| Contract assets (unbilled revenue) | 26,788        | 24,785        |
|                                    | <b>75,799</b> | <b>74,534</b> |

The movement on the allowance for impairment was as follows:

|  | <b>2018</b>   | 2017          |
|--|---------------|---------------|
| At 1 January                             | 25,181        | 24,703        |
| Impairment loss recognised for the year  | 5,311         | 1,979         |
| Provision related to asset held-for-sale | (4,394)       | -             |
| Effect of movements in exchange rates    | 118           | (83)          |
| Written off during the year              | (1,091)       | (1,418)       |
| <b>At 31 December</b>                    | <b>25,125</b> | <b>25,181</b> |

The impairment allowances as at 31 December 2017 and 2018 represent life-time ECL on trade receivables and contracts assets (refer to note 4(a)).

**11 CASH AND BANK**

|              | <b>2018</b>    | 2017           |
|--------------|----------------|----------------|
| Cash in hand | 419            | 2,591          |
| Cash at bank | 142,344        | 156,112        |
|              | <b>142,763</b> | <b>158,703</b> |

Cash and bank include BD 56,976 (2017: BD 62,380) on account of short-term deposits with maturities exceeding three months and unclaimed dividends, which have been excluded for the purposes of consolidated statement of cash flows. Further, BD 10,570 (refer to note 12) associated with asset held-for-sale is included as cash and cash equivalent for the purposes of consolidated statement of cash flows.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

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**12 ASSET HELD-FOR-SALE**

In September 2018, the Group committed to a plan to sell its Kuwait operations segment. 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 next twelve months. No impairment losses are expected as a result of this transaction.

The assets, liabilities, comprehensive income and cash flows of the disposal group are as below:

|  | <b>31 December<br/>2018</b> |
|--|-----------------------------|
| <b>ASSETS</b>                                  |                             |
| Property and equipment                         | 1,452                       |
| Other intangible assets                        | 738                         |
| Inventories                                    | 190                         |
| Trade and other receivables                    | 13,864                      |
| Cash and bank balances                         | 10,570                      |
| <b>Total assets</b>                            | <b>26,814</b>               |
| <b>LIABILITIES</b>                             |                             |
| Trade and other payables – current             | 17,263                      |
| Trade and other payables - non-current         | 2,368                       |
| <b>Total liabilities</b>                       | <b>19,631</b>               |
| <b>Net assets</b>                              | <b>7,183</b>                |
| Non-controlling interest                       | 718                         |
| <b>Comprehensive income</b>                    | <b>2018</b>                 |
| Revenue (external customers)                   | 20,225                      |
| Inter segment revenue                          | 5,927                       |
| <b>Total revenue</b>                           | <b>26,152</b>               |
| Expenses                                       | (24,155)                    |
| <b>Results from operating activities</b>       | <b>1,997</b>                |
| Non-operating Items                            | 1,140                       |
| <b>Profit for the year</b>                     | <b>3,137</b>                |
| Other comprehensive income                     | (47)                        |
| <b>Total comprehensive income for the year</b> | <b>3,090</b>                |
| <b>Cash Flows</b>                              | <b>2018</b>                 |
| Net cash used in operating activities          | (3,290)                     |
| Net cash from investing activities             | 5,044                       |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

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**13 TRADE AND OTHER PAYABLES**

|   | <b>2018</b>    | 2017           |
|---|----------------|----------------|
| Trade payables  | 35,295         | 38,655         |
| Amounts due to telecommunications operators               | 10,087         | 14,067         |
| Provisions, accrued expenses and other payables (note 14) | 61,913         | 92,278         |
| Contract liability  | 3,091          | -              |
| Customer deposits and billings in advance                 | 26,937         | 30,227         |
| Current tax liability                                     | 3,460          | 2,775          |
|   | <b>140,783</b> | <b>178,002</b> |

Trade and other payables are classified as follows:

|                         | <b>2018</b>    | 2017           |
|-------------------------|----------------|----------------|
| Current liabilities     | 136,612        | 171,892        |
| Non-current liabilities | 4,171          | 6,110          |
|                         | <b>140,783</b> | <b>178,002</b> |

Significant changes in the contract liabilities balances during the year are as follows.

|  | <b>2018</b>  |
|--|--------------|
| At 1 January                           | 3,055        |
| Cash received during the year          | 28,144       |
| Transferred to revenue during the year | (28,077)     |
| Effect of movements in exchange rates  | (31)         |
| <b>At 31 December</b>                  | <b>3,091</b> |

**14 PROVISIONS**

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

|                                      | <b>Voluntary employee retirement program provision</b> |              | <b>Asset retirement obligation</b> |              |
|--------------------------------------|--|--------------|------------------------------------|--------------|
|                                      | <b>2018</b>  | 2017         | <b>2018</b>                        | 2017         |
| At 1 January                         | 2,352  | -            | 3,922                              | 3,781        |
| Amounts provided during the year     | -  | 8,050        | 292                                | 141          |
| Amounts paid during the year         | (2,352)  | (5,698)      | -                                  | -            |
| Amounts written back during the year | -  | -            | (43)                               | -            |
| <b>At 31 December</b>                | <b>-</b>   | <b>2,352</b> | <b>4,171</b>                       | <b>3,922</b> |

## 15 LOANS AND BORROWINGS

|                            |       | 2018           | 2017    |
|----------------------------|-------|----------------|---------|
| <b>a) Current</b>          |       |                |         |
| Term financing from a bank | (i)   | 9,739          | 9,730   |
| Vendor financing           |       | -              | 1,055   |
| Overdraft liabilities      | (ii)  | 15,139         | 6,156   |
|                            |       | <b>24,878</b>  | 16,941  |
| <b>b) Non-current</b>      |       |                |         |
| Term financing from a bank | (i)   | 34,085         | 43,782  |
| Bonds                      | (iii) | 177,817        | 177,472 |
|                            |       | <b>211,902</b> | 221,254 |
|                            |       | <b>236,780</b> | 238,195 |

- (i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 43.8 million outstanding as of 31 December 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 31 December 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 6.13% to 6.40% p.a. and the amount drawn at the balance sheet date amounted to BD 15.1 million (2017: BD 6.2 million).  
The undrawn overdraft limits as at 31 December 2018 amounted to BD nil (2017: BD 2.9 million); and
- (iii) Long term bonds have a face value of BD 178.3 million. The bonds are listed for trading on the Irish Stock Exchange. The bonds have a tenor of 7 years maturing in 2020, unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**16 INCOME TAXES****Amounts recognised in profit or loss for the year**

|                                 | <b>2018</b>  | 2017         |
|---------------------------------|--------------|--------------|
| Current tax expense             | 6,961        | 5,775        |
| Deferred tax expense            | (5,192)      | (3,066)      |
| <b>Tax expense for the year</b> | <b>1,769</b> | <b>2,709</b> |

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 % (2017: 0 %). The table below reconciles the difference between the expected tax expense of nil (2017: 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**

|  | <b>2018</b>   | 2017          |
|--|---------------|---------------|
| Profit before tax  | <b>61,984</b> | 15,949        |
| Corporation tax rate of 0 % in Bahrain (2017: 0 %)                             | -             | -             |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1,769         | 2,709         |
| <b>Tax expense for the year</b>  | <b>1,769</b>  | <b>2,709</b>  |
| <b>Profit after tax for the year</b>   | <b>60,215</b> | <b>13,240</b> |

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

|   | <b>2018</b>   | 2017          |
|---|---------------|---------------|
| At 1 January                              | 13,837        | 14,867        |
| Credit to the consolidated profit or loss | (3,087)       | (1,850)       |
| Exchange differences                      | (448)         | 820           |
| <b>At 31 December</b>                     | <b>10,302</b> | <b>13,837</b> |

The recognised deferred tax asset of BD 9,639 (2017: BD 7,534) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Channel Islands jurisdictions.

## 17 SHARE CAPITAL

|   | 2018           | 2017    |
|---|----------------|---------|
| <b>a) Authorised</b><br>2,000 (2017: 2,000) million shares of 100 fils each             | <b>200,000</b> | 200,000 |
| <b>b) Issued and fully paid:</b><br>1,663 (2017: 1,663) million shares of 100 fils each | <b>166,320</b> | 166,320 |

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

| Name                                       | Nationality    | Number of shares (thousands) | % of share holding |
|--|----------------|------------------------------|--------------------|
| Bahrain Mumtalakat Holding Company BSC (c) | Bahrain        | 609,840                      | 37                 |
| Amber Holdings Limited                     | Cayman Islands | 332,640                      | 20                 |
| Social Insurance Organisation              | Bahrain        | 337,836                      | 20                 |

- Distribution schedule of equity shares:

| Categories                | Number of shares (thousands) | Number of shareholders | % of total outstanding shares |
|---------------------------|------------------------------|------------------------|-------------------------------|
| Less than 1 %             | 284,912                      | 10,745                 | 17                            |
| 1 % up to less than 5 %   | 97,972                       | 3                      | 6                             |
| 5 % up to less than 10 %  | -                            | -                      | -                             |
| 10 % up to less than 20 % | -                            | -                      | -                             |
| 20 % up to less than 50 % | 1,280,316                    | 3                      | 77                            |
|                           | <b>1,663,200</b>             | <b>10,751</b>          | <b>100</b>                    |

**18 STATUTORY AND GENERAL RESERVE**

**a) Statutory reserve**

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

The shareholders of Umniah in their meeting held on 12 July 2018 approved transfer from statutory reserve of BD 3,765 of which Group's share was BD 3,630. Further, for the year ended 31 December 2018, a transfer to statutory reserves of BD 2,674 was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 27 March 2019. These consolidated financial statements reflect the effect of this proposed transfer.

**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 2018 by the shareholders of the Company. However, the shareholders of Umniah in their meeting held on 12 July 2018 approved transfer from general reserve of BD 1,966 of which Group's share was BD 1,890.

**19 DIVIDENDS**

The dividends paid in 2018 and 2017 were BD 41.6 million (25 Fils per share). The dividends paid in 2018 include an amount of BD 24.9 million relating to the final dividend for the year ended 31 December 2017 and interim dividend (subject to AGM ratification) of BD 16.6 million for the year 2018. The total dividend in respect of the year ended 31 December 2018 of 27.5 Fils per share, amounting to BD 45.7 million (including final dividend of BD 29.1 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 27 March 2019. These consolidated financial statements do not reflect the final dividend payable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

| 2018   | Liabilities                                       |                            | Equity         |                                      | NCI             | Total           |
|--|---|----------------------------|----------------|--------------------------------------|-----------------|-----------------|
|  | Bank overdrafts used for cash management purposes | Other loans and borrowings | Share capital  | Retained earnings and other reserves |                 |                 |
| Balance at 1 January 2018                      | 6,156   | 232,039                    | 166,320        | 295,563                              | 40,584          | 740,662         |
| <i>Changes from financing cash flows</i>       |   |                            |                |                                      |                 |                 |
| Borrowings (net)                               | 8,980   | (10,798)                   | -              | -                                    | -               | (1,818)         |
| Dividend paid                                  | -   | -                          | -              | (41,571)                             | (10,938)        | (52,509)        |
| <b>Total changes from financing cash flows</b> | <b>8,980</b>                                      | <b>(10,798)</b>            | <b>-</b>       | <b>(41,571)</b>                      | <b>(10,938)</b> | <b>(54,327)</b> |
| Effect of changes in foreign exchange rates    | 3   | 56                         | -              | (5,059)                              | (3)             | (5,003)         |
| Liability-related other changes                | -   | 344                        | -              | -                                    | -               | 344             |
| Equity-related changes                         | -   | -                          | -              | 49,995                               | 9,989           | 59,984          |
| <b>Balance at 31 December 2018</b>             | <b>15,139</b>                                     | <b>221,641</b>             | <b>166,320</b> | <b>298,928</b>                       | <b>39,632</b>   | <b>741,660</b>  |

| 2017  | Liabilities                                       |                            | Equity         |                                      | NCI           | Total          |
|---|---|----------------------------|----------------|--------------------------------------|---------------|----------------|
|   | Bank overdrafts used for cash management purposes | Other loans and borrowings | Share capital  | Retained earnings and other reserves |               |                |
| Balance at 1 January 2017                   | 1,597   | 232,759                    | 166,320        | 326,541                              | 44,107        | 771,324        |
| <i>Changes from financing cash flows</i>    |   |                            |                |                                      |               |                |
| Borrowings (net)                            | 4,573   | (874)                      | -              | -                                    | -             | 3,699          |
| Dividend paid                               | -   | -                          | -              | (41,581)                             | (13,277)      | (54,858)       |
| Total changes from financing cash flows     | 4,573   | (874)                      | -              | (41,581)                             | (13,277)      | (51,159)       |
| Effect of changes in foreign exchange rates | (14)  | (175)                      | -              | 8,215                                | 5             | 8,031          |
| Liability-related other changes             | -   | 329                        | -              | 1                                    | -             | 330            |
| Equity-related changes                      | -   | -                          | -              | 2,387                                | 9,749         | 12,136         |
| <b>Balance at 31 December 2017</b>          | <b>6,156</b>                                      | <b>232,039</b>             | <b>166,320</b> | <b>295,563</b>                       | <b>40,584</b> | <b>740,662</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 21 REVENUE

## a) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its operating segments (refer to note 32).

| 2018   | Reportable segments |               |               |               | Total<br>reportable<br>segments | All other<br>segments | Elimination    | Total          |
|--|---------------------|---------------|---------------|---------------|---------------------------------|-----------------------|----------------|----------------|
|  | Bahrain             | Jordan        | Maldives      | SURE<br>Group |                                 |                       |                |                |
| <b>Major products/ service lines</b>   |                     |               |               |               |                                 |                       |                |                |
| Mobile Telecommunication Services  | 69,555              | 67,739        | 43,437        | 20,220        | 200,951                         | -                     | (32)           | 200,919        |
| Data Communication Circuits  | 41,667              | 5,217         | 9,534         | 6,873         | 63,291                          | 15,947                | (6,073)        | 73,165         |
| Fixed Broadband  | 23,384              | 13,596        | 6,813         | 9,335         | 53,128                          | 7,072                 | -              | 60,200         |
| Fixed Line Telecommunication Services  | 13,958              | -             | 3,084         | 8,003         | 25,045                          | -                     | -              | 25,045         |
| Wholesale Services   | 12,548              | 2,632         | 616           | 3,031         | 18,827                          | -                     | (191)          | 18,636         |
| Adjacent Services  | 8,683               | 4,472         | 4,056         | 7,807         | 25,018                          | 3,134                 | (264)          | 27,888         |
|  | <b>169,795</b>      | <b>93,656</b> | <b>67,540</b> | <b>55,269</b> | <b>386,260</b>                  | <b>26,153</b>         | <b>(6,560)</b> | <b>405,853</b> |
| <b>Timing of recognition</b>   |                     |               |               |               |                                 |                       |                |                |
| Products transferred at a point in time<br>(Equipment revenue)                                 | 19,477              | 6,767         | 3,778         | 5,286         | 35,308                          | 2,438                 | -              | 37,746         |
| Products and services transferred over<br>time (Revenue from provision of network<br>services) | 150,318             | 86,889        | 63,762        | 49,983        | 350,952                         | 23,715                | (6,560)        | 368,107        |
|  | <b>169,795</b>      | <b>93,656</b> | <b>67,540</b> | <b>55,269</b> | <b>386,260</b>                  | <b>26,153</b>         | <b>(6,560)</b> | <b>405,853</b> |



**Bahrain Telecommunications Company BSC**

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**For the year ended 31 December 2018**

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21 REVENUE (continued)

a) Disaggregation of revenue from contracts with customers (continued)

| 2017*  | Reportable segments |        |          |            |                           | All other segments | Elimination | Total   |
|--|---------------------|--------|----------|------------|---------------------------|--------------------|-------------|---------|
|  | Bahrain             | Jordan | Maldives | SURE group | Total reportable segments |                    |             |         |
| In BD' 000   |                     |        |          |            |                           |                    |             |         |
| Major products/ service lines  |                     |        |          |            |                           |                    |             |         |
| Mobile Telecommunication Services  | 69,624              | 64,503 | 43,173   | 20,810     | 198,110                   | -                  | (45)        | 198,065 |
| Data Communication Circuits  | 32,752              | 4,211  | 8,592    | 6,587      | 52,142                    | 13,190             | (3,481)     | 61,851  |
| Fixed Broadband  | 20,306              | 9,425  | 5,454    | 8,455      | 43,640                    | 11,215             | -           | 54,855  |
| Fixed Line Telecommunication Services  | 14,573              | -      | 3,444    | 7,819      | 25,836                    | -                  | -           | 25,836  |
| Wholesale Services   | 11,860              | 2,414  | 473      | 3,163      | 17,910                    | -                  | (1,058)     | 16,852  |
| Adjacent Services  | 7,673               | 1,003  | 2,928    | 7,370      | 18,974                    | 3,183              | (170)       | 21,987  |
|  | 156,788             | 81,556 | 64,064   | 54,204     | 356,612                   | 27,588             | (4,754)     | 379,446 |
| Timing of recognition  |                     |        |          |            |                           |                    |             |         |
| Products transferred at a point in time (Equipment revenue)                              | 22,402              | 4,228  | 2,190    | 5,172      | 33,992                    | 2,461              | -           | 36,453  |
| Products and services transferred over time (Revenue from provision of network services) | 134,386             | 77,328 | 61,874   | 49,032     | 322,620                   | 25,127             | (4,754)     | 342,993 |
|  | 156,788             | 81,556 | 64,064   | 54,204     | 356,612                   | 27,588             | (4,754)     | 379,446 |

\*The Group applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See Note 3 (c)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 21 REVENUE (continued)

## b) Contract Costs

During 2018, the Group capitalized incremental commission fees paid to intermediaries as a result of obtaining contracts as contract costs amounting BD 6,715. Such capitalized commission fees are amortized when the related revenues are recognized, which amortisation amounted to BD 2,975 in 2018. In the comparative period, all commission fees were recognized as selling expenses when incurred.

## 22 NETWORK OPERATING EXPENSES

|   | 2018           | 2017           |
|---|----------------|----------------|
| Outpayments to telecommunications operators | 61,314         | 50,004         |
| Cost of sales of equipment and services     | 57,688         | 56,993         |
| Repair, maintenance & other direct cost     | 22,563         | 22,347         |
| License fee                                 | 6,400          | 6,899          |
| Operating lease rentals                     | 12,213         | 11,456         |
|   | <b>160,178</b> | <b>147,699</b> |

## 23 OTHER OPERATING EXPENSES

|                                      | 2018          | 2017          |
|--------------------------------------|---------------|---------------|
| Marketing, advertising and publicity | 16,673        | 14,693        |
| IT operations and maintenance        | 6,399         | 5,948         |
| Professional fees                    | 3,672         | 2,583         |
| Office rental and utilities          | 6,815         | 6,580         |
| Other expenses                       | 7,680         | 8,745         |
|                                      | <b>41,239</b> | <b>38,549</b> |

## 24 OTHER INCOME, (NET)

|                              | 2018         | 2017          |
|------------------------------|--------------|---------------|
| Other non-operating income*  | 2,046        | 23,992        |
| Foreign exchange loss        | (4)          | (860)         |
| Gain on disposal of assets   | 1,209        | 249           |
| Other non-operating expenses | (352)        | (4,000)       |
| Rental income                | 463          | 508           |
|                              | <b>3,362</b> | <b>19,889</b> |

\*During 2017, the Group swapped one of its existing land plots classified as "Property and Equipment" with a government agency in consideration of land plots with value similar to the market price of the land given up. Accordingly, the Group recognised the asset at the fair value of the land given up and a gain of BD 23.7 million was included under "other non-operating income" in 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 25 LOSS ON INVESTMENTS

|   |   | 2018 | 2017     |
|---|---|------|----------|
| Impairment loss on goodwill related to a subsidiary             | 6 | -    | (20,000) |
| Impairment loss on investment in associate                      | 8 | -    | (30,000) |
| Impairment loss on other investments (debt investment at FVOCI) |   | -    | (567)    |
| Fair value changes (equity investment at FVTPL)                 |   | -    | (682)    |
|   |   | -    | (51,249) |

## 26 POST-EMPLOYMENT BENEFIT ASSETS

## a) Defined benefit scheme

At 31 December 2018, the Group operates a defined benefit pension plan (the Scheme) in Sure (Guernsey) Ltd for the employees of that company. Under the Scheme, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund. The Scheme was closed to new entrants from 1 April 2005 and was closed to future accrual by current members on 31 July 2014.

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

|   | 2018                       |                           |  | 2017                       |                           |  |
|---|----------------------------|---------------------------|--|----------------------------|---------------------------|--|
|   | 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                                    | 16,574                     | 20,171                    | (3,597)                                | 15,009                     | 18,541                    | (3,532)                                |
| <i>Included in profit or loss</i>               |                            |                           |  |                            |                           |  |
| Interest costs/ (income)                        | 385                        | 470                       | (85)                                   | 405                        | 501                       | (96)                                   |
| Expense costs                                   | -                          | (54)                      | 54                                     | -                          | (139)                     | 139                                    |
| Settlement credit                               | -                          | -                         | -                                      | (69)                       | (32)                      | (37)                                   |
|   | <b>385</b>                 | <b>416</b>                | <b>(31)</b>                            | <b>336</b>                 | <b>330</b>                | <b>6</b>                               |
| <i>Included in OCI</i>                          |                            |                           |  |                            |                           |  |
| Actuarial changes arising from:                 |                            |                           |  |                            |                           |  |
| - demographic assumptions                       | (460)                      |                           | (460)                                  | (276)                      | -                         | (276)                                  |
| - financial assumptions                         | (1,142)                    |                           | (1,142)                                | 597                        | -                         | 597                                    |
| - experience adjustments                        | (112)                      |                           | (112)                                  | 5                          | -                         | 5                                      |
| Return on plan assets excluding interest income | -                          | (377)                     | 377                                    | -                          | 60                        | (60)                                   |
| Movements in exchange rates                     | (982)                      | (1,198)                   | 216                                    | 1,405                      | 1,739                     | (334)                                  |
|   | <b>(2,696)</b>             | <b>(1,575)</b>            | <b>(1,121)</b>                         | <b>1,731</b>               | <b>1,799</b>              | <b>(68)</b>                            |
| <i>Other</i>                                    |                            |                           |  |                            |                           |  |
| Contributions paid by employer                  |                            |                           |  | -                          | 3                         | (3)                                    |
| Benefits paid                                   | (537)                      | (537)                     | -                                      | (502)                      | (502)                     | -                                      |
| <b>At 31 December</b>                           | <b>13,726</b>              | <b>18,475</b>             | <b>(4,749)</b>                         | <b>16,574</b>              | <b>20,171</b>             | <b>(3,597)</b>                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 26 POST-EMPLOYMENT BENEFIT (continued)

## a) Defined benefit scheme (continued)

The following tables summarise the components of net benefit (credit)/expense recognised in the consolidated statement of comprehensive income and the funded status and amounts recognised in the consolidated statement of financial position for the respective plans:

|                                       | 2018        | 2017     |
|---------------------------------------|-------------|----------|
| Interest income on benefit obligation | (85)        | (96)     |
| Expense cost                          | 54          | 139      |
| Settlement credit                     | -           | (37)     |
|                                       | <b>(31)</b> | <b>6</b> |

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

|        | 2018          | 2017          |
|--------|---------------|---------------|
| Bonds  | 3,591         | 3,912         |
| Others | 14,884        | 16,259        |
|        | <b>18,475</b> | <b>20,171</b> |

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

| <b>Assumptions</b>                                   | 2018         | 2017  |
|--|--------------|-------|
| Price inflation                                      | <b>3.50%</b> | 3.45% |
| Discount rate  | <b>2.90%</b> | 2.40% |
| Pension increases                                    | <b>3.50%</b> | 3.45% |
| Life expectancy of male aged 60 in 2018 (2017:2017)  | <b>27.5</b>  | 28.1  |
| Life expectancy of male aged 60 in 2038 (2017: 2037) | <b>29.4</b>  | 30.4  |

## b) Defined contribution plan

The provision for leaving indemnity in respect of employees amounted to BD 4.4 million (2017: BD 4.4 million) and is included under provisions and accrued expenses. The Group has recognised BD 0.9 million (2017: BD 0.7 million) as an expense for leaving indemnity in respect of employees. The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 5.2 million (2017: BD 5.1 million).

## 27 EARNINGS PER SHARE ("EPS")

|  | 2018          | 2017  |
|--|---------------|-------|
| Profit for the year attributable to equity holders of the Company          | <b>50,108</b> | 3,491 |
| Weighted average number of shares outstanding during the year (in million) | <b>1,663</b>  | 1,663 |
| Basic earnings per share (Fils)  | <b>30.1</b>   | 2.10  |

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

**28 COMMITMENTS AND CONTINGENCIES****a) Capital commitments**

The Group has capital commitments at 31 December 2018 amounting to BD 31.6 million (2017: BD 17.9 million).

**b) Contingent liabilities**

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD 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 31 December 2018, the Group's banks have issued guarantees, amounting to BD 12.3 million (2017: BD 4.8 million) and letters of credit amounting to BD 14.6 million (2017: 7.3 million).
- (ii) The Company 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.
- (iii) The Group has furnished guarantees amounting to BD 2.2 million (Dec 2017: BD 3.0 million) to a bank for extending credit facilities to an investee company in the Kingdom of Saudi Arabia.

**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:

|   | <b>2018</b>   | 2017   |
|---|---------------|--------|
| Future minimum lease payments               |               |        |
| Within one year                             | 8,289         | 2,794  |
| After one year but not more than five years | 21,284        | 6,425  |
| More than five years                        | 14,170        | 6,415  |
|   | <b>43,743</b> | 15,634 |

**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% (2017: 75 %) of the loan interest. At 31 December 2018, the Company has an outstanding guarantee of BD 0.7 million (2017: BD 0.8 million) towards housing loans to staff.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 29 NON-CONTROLLING INTEREST (NCI)

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

| Entity<br>NCI Share  | 2018              |                 | 2017              |                  |
|--|-------------------|-----------------|-------------------|------------------|
|  | QualityNet<br>10% | Dhiraagu<br>48% | QualityNet<br>10% | Dhiraagu<br>48 % |
| Non-current assets (excluding goodwill)                    | 2,190             | 77,985          | 7,180             | 77,465           |
| Current assets   | 24,624            | 24,119          | 23,443            | 27,411           |
| Non-current liabilities                                    | (17,263)          | (16,089)        | (2,188)           | (7,883)          |
| Current liabilities  | (2,368)           | (7,904)         | (20,292)          | (17,716)         |
| <b>Net assets</b>  | <b>7,183</b>      | <b>78,111</b>   | <b>8,143</b>      | <b>79,277</b>    |
| Carrying amount of NCI                                     | 718               | 37,493          | 814               | 38,053           |
| Revenue  | 26,152            | 67,540          | 27,578            | 64,064           |
| <b>Profit &amp; total comprehensive income</b>             | <b>3,137</b>      | <b>20,605</b>   | <b>3,370</b>      | <b>20,090</b>    |
| Profit allocated to NCI                                    | 314               | 9,890           | 337               | 9,643            |
| Cash (used in)/ from operating activities                  | (3,290)           | 28,576          | 3,282             | 24,589           |
| Cash from/ (used in) investing activities                  | 5,044             | (12,412)        | (772)             | (8,145)          |
| Cash used in financing activities, before dividends to NCI | (3,652)           | (12,277)        | (3,832)           | (14,384)         |
| Cash used in financing activities - cash dividends to NCI  | (406)             | (10,533)        | (426)             | (12,851)         |
| <b>Net decrease in cash and cash equivalents</b>           | <b>(2,304)</b>    | <b>(6,646)</b>  | <b>(1,748)</b>    | <b>(10,791)</b>  |

## 30 TRANSACTIONS WITH RELATED PARTIES

- (i) The Company qualifies as a government related entity under the definitions provided in the IAS 24. The Company provides telecommunication services to various Government and semi government organisation and companies in the Kingdom of Bahrain. The Company also avails various services from Government and semi government organisation and companies in the Kingdom of Bahrain. Such transactions are in the normal course of business and are not considered to be individually significant in terms of size.
- (ii) *Transactions with key management personnel:* Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

|  | 2018         | 2017         |
|--|--------------|--------------|
| Short-term employee benefits                       | 2,335        | 2,279        |
| Post-employment benefits                           | 49           | 165          |
| <b>Total key management personnel compensation</b> | <b>2,384</b> | <b>2,444</b> |

|   | 2018 | 2017 |
|---|------|------|
| Post-employment benefits outstanding            | 291  | 275  |
| Directors remuneration (including sitting fees) | 595  | 642  |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

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*30 TRANSACTIONS WITH RELATED PARTIES (continued)*

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

|  | <b>2018</b> | 2017    |
|--|-------------|---------|
| Total number of shares held by Directors             | 317,112     | 324,682 |
| As a percentage of the total number of shares issued | 0.02%       | 0.02%   |

(v) Executive management interests in the shares of the Company at the end of the year were as follows:

|  | <b>2018</b> | 2017    |
|--|-------------|---------|
| Total number of shares held by executive management  | 219,450     | 103,950 |
| As a percentage of the total number of shares issued | 0.02%       | 0.01%   |

**31 COMPARATIVES**

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit, comprehensive income for the year or total equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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## 32 SEGMENT INFORMATION

## Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, Sure Group and Others. Others include Kuwait, Yemen and other group operations. Segment information disclosed for the year ended 31 December 2018 is as follows:

|   | Year ended 31 December 2018   |                |                |                |                |                           |                | Year ended 31 December 2017   |                 |                |                |                 |                           |                |
|---|-------------------------------|----------------|----------------|----------------|----------------|---------------------------|----------------|-------------------------------|-----------------|----------------|----------------|-----------------|---------------------------|----------------|
|   | Bahrain                       | Jordan         | Maldives       | Sure Group     | Others         | Inter-segment elimination | Total          | Bahrain                       | Jordan          | Maldives       | Sure Group     | Others          | Inter-segment elimination | Total          |
| <b>Segment revenue &amp; profit</b>                       |                               |                |                |                |                |                           |                |                               |                 |                |                |                 |                           |                |
| Revenue (external customers)                              | 169,509                       | 93,309         | 67,540         | 55,269         | 20,226         | -                         | 405,853        | 156,200                       | 80,661          | 64,064         | 54,204         | 24,317          | -                         | 379,446        |
| Inter segment revenues                                    | 286                           | 347            | -              | -              | 5,927          | (6,560)                   | -              | 588                           | 895             | -              | -              | 3,271           | (4,754)                   | -              |
| Depreciation, amortization and tangible assets impairment | (23,244)                      | (21,397)       | (9,548)        | (14,830)       | (1,078)        | -                         | (70,097)       | (22,583)                      | (21,440)        | (9,774)        | (11,247)       | (1,275)         | -                         | (66,319)       |
| Finance income  | 6,210                         | 9              | 181            | 63             | 74             | (523)                     | 6,014          | 5,205                         | 8               | 243            | 139            | 84              | (617)                     | 5,062          |
| Finance expenses  | (8,571)                       | (3,948)        | (1,169)        | -              | -              | 530                       | (13,158)       | (8,552)                       | (3,339)         | (766)          | (130)          | -               | 615                       | (12,172)       |
| Other income (net)  | 3,495                         | 127            | 38             | 80             | 1,068          | (1,446)                   | 3,362          | 27,271                        | 51              | 463            | (88)           | -               | (7,808)                   | 19,889         |
| Impairment of goodwill and other investments              | -                             | -              | -              | -              | -              | -                         | -              | (1,249)                       | (20,000)        | -              | -              | (30,000)        | -                         | (51,249)       |
| Share of loss from associate (net)                        | -                             | -              | -              | -              | (6,976)        | -                         | (6,976)        | -                             | -               | -              | -              | (3,970)         | -                         | (3,970)        |
| <b>Profit for the year</b>                                | <b>43,517</b>                 | <b>(2,347)</b> | <b>20,605</b>  | <b>2,400</b>   | <b>(3,920)</b> | <b>(40)</b>               | <b>60,215</b>  | <b>50,396</b>                 | <b>(25,714)</b> | <b>20,090</b>  | <b>2,563</b>   | <b>(34,072)</b> | <b>(23)</b>               | <b>13,240</b>  |
|   | <b>As at 31 December 2018</b> |                |                |                |                |                           |                | <b>As at 31 December 2017</b> |                 |                |                |                 |                           |                |
| <b>Segment assets &amp; liabilities</b>                   |                               |                |                |                |                |                           |                |                               |                 |                |                |                 |                           |                |
| Non-current assets  | 173,738                       | 219,795        | 99,855         | 88,385         | 34,857         | (17,854)                  | 598,776        | 179,926                       | 230,427         | 99,336         | 107,263        | 42,016          | (25,574)                  | 633,394        |
| Current assets  | 229,727                       | 26,300         | 24,119         | 29,648         | 26,959         | (23,153)                  | 313,600        | 208,087                       | 21,564          | 27,411         | 27,896         | 32,454          | (18,305)                  | 299,107        |
| <b>Total assets</b>                                       | <b>403,465</b>                | <b>246,095</b> | <b>123,974</b> | <b>118,033</b> | <b>61,816</b>  | <b>(41,007)</b>           | <b>912,376</b> | <b>388,013</b>                | <b>251,991</b>  | <b>126,747</b> | <b>135,159</b> | <b>74,470</b>   | <b>(43,879)</b>           | <b>932,501</b> |
| Current liabilities                                       | 82,785                        | 65,320         | 16,089         | 11,162         | 18,661         | (12,896)                  | 181,121        | 143,550                       | 59,074          | 17,716         | 10,684         | 21,110          | (63,301)                  | 188,833        |
| Non-current liabilities                                   | 181,682                       | 50,131         | 7,904          | 6,571          | -              | (19,913)                  | 226,375        | 188,979                       | 60,648          | 7,883          | 9,043          | 2,187           | (27,539)                  | 241,201        |
| <b>Total liabilities</b>                                  | <b>264,467</b>                | <b>115,451</b> | <b>23,993</b>  | <b>17,733</b>  | <b>18,661</b>  | <b>(32,809)</b>           | <b>407,496</b> | <b>332,529</b>                | <b>119,722</b>  | <b>25,599</b>  | <b>19,727</b>  | <b>23,297</b>   | <b>(90,840)</b>           | <b>430,034</b> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

**33 LIST OF PROPERTIES OWNED AND RENTED BY THE COMPANY IN BAHRAIN**

| <b>Description</b>   | <b>Usage</b>                      | <b>Owned/Rented</b> |
|--|-----------------------------------|---------------------|
| 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               |
| 16 Sales Site  | Customer Service Centre           | Rented              |
| 56 different sites used for GSM base stations and exchanges                    | GSM & fixed telephone network     | Owned               |
| 370 different sites used for locating Remote Line Units (RLUs) Plus MNE Sites. | GSM & fixed telephone network     | Rented              |