Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

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Bahrain Telecommunications Company BSC

CHAIRMAN'S REPORT
For the year ended 31 December 2017

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

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

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

The Group's operating profit for the year was BD58.4M (US$154.9M), reflecting an 11% decrease YoY from BD65.4M (US$173.5M) in 2016. However, excluding voluntary employee retirement costs operating profits are up 2% from the prior year.

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

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

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

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

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

CHAIRMAN'S REPORT
For the year ended 31 December 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 2017.

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

The Board of Directors has recommended a full year cash dividend of BD 24.9M (US$66.2M), at a value of 25 fils per share to be agreed at the Group's Annual General Meeting, of which 10 fils per share was already paid during the third quarter of 2017 with the remaining 15 fils to be paid following the AGM in March 2018. The dividend is consistent with previous years and is an example of Batelco's commitment to its shareholders.

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

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

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2018.

Appreciation to Bahrain's Leadership

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

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

Guidance and Outlook for 2018

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

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

Mohammed bin Khalifa Al Khalifa
Chairman of the Board
Bahrain Telecommunications Company BSC

22 February 2018

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Telecommunications Company BSC
PO Box 106
Manama
Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
We have audited the accompanying consolidated financial statements of Bahrain Telecommunication Company BSC (the "Company") and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Description

We focused on this area because:

- There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.).
- The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.

How the matter was addressed in our audit

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

- testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams;
- testing the controls and governance processes over reconciliation from business support systems to billing and rating systems to the general ledger;
- performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills;
- performing tests on allocation of revenue for bundled contracts and recognition of revenue on multi-period contracts;
- performing tests on reasonableness of allocation and utilisation of deferred revenue representing undelivered service obligations; and
- assessed whether the consolidated financial statements disclosures relating to revenue recognition were appropriate.

KPMG Fakhro, a Bahrain partnership registered with the Ministry of Industry, Commerce and Tourism (MOICT), Kingdom of Bahrain and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

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
As at 31 December 2017, the Group's consolidated financial statements includes recognised goodwill of BD 136.6 million which arose from the acquisition of subsidiaries. An assessment is required annually to establish whether this goodwill should continue to be recognised, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires significant judgment and hence has been identified as a key area of audit focus. For the year ended 31 December 2017, impairment charge of BD 20 million was recognised related to goodwill in the Group's subsidiary in Jordan.	Our audit procedures, amongst others, included: — understanding of the group's budgeting process upon which the forecasts are based; — we involved our own valuation specialists to assist us in: ▪ evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; and ▪ evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, long term growth rates, revenue and EBITDA margins and comparing progress against stated business plans. — assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for goodwill impairment were appropriate.

Carrying value of investment in associate
(refer to the use of estimate and management judgement in note 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
We focused on this area because: - The Group's investment in associate amounting to BD 34.8 million is situated in a geographical location which is currently considered unstable and high risk; - 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 - For the year ended 31 December 2017, a impairment charge of BD 30 million was recognised related to its investment in associates (Sabafon).	Our audit procedures, amongst others, included: — evaluating the group's basis of developing forecasts for an investee under stress; — we involved our own valuation specialists to assist us in: ▪ evaluating the appropriateness of the methodology used by the Group to assess impairment of carrying value of investments in associate; and ▪ evaluating key inputs and assumptions in cash flow projections used by the Group as well as our own assessments of investee specific circumstances and experience in the related geography, in particular its derivation of revenues, margins, discount rates and expected long term growth rates. — assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment of investment in associate were appropriate.

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

Description	How the matter was addressed in our audit
We focused on this area because there are a number of areas where management judgement impacts the carrying value of property and equipment and other intangible assets and their respective depreciation/ amortisation profiles. These include: - The decision to capitalise or expense costs; - The annual asset life review including the impact of changes in the Group's strategy; and - The timeliness of the transfer from assets in the course of construction/ deployment.	Our procedures, amongst others, included: — we tested controls in place over the fixed asset cycle, and acquisition of other intangible assets, evaluated the appropriateness of capitalisation policies and assessed the timeliness of the transfer of assets in the course of construction; — we assessed the nature of costs incurred in capital projects through testing of amounts recorded and assessing whether the description of the expenditure met capitalisation criteria; — 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 — assessed whether the consolidated financial statements disclosures relating to capitalisation and useful life of property and equipment and other intangible assets were appropriate.

Other information
The board of directors is responsible for the other information. The other information comprises information in the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of our auditor's report, we obtained the report of the board of directors which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements
As required by the Bahrain Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
b) the financial information contained in the chairman's report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, the Bahrain Bourse rules and procedures or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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

KPMG

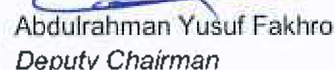
KPMG Fakhro
Partner registration number 137
22 February 2018

Bahrain Telecommunications Company BSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017 BD'000

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

The consolidated financial statements, which consist of pages 8 to 59 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:



Mohammed bin Khalifa Al Khalifa
Chairman

Abdulrahman Yusuf Fakhro
Deputy Chairman

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

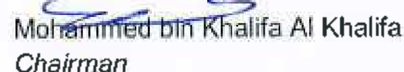
Bahrain Telecommunications Company BSC

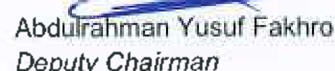
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

BD'000

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

The consolidated financial statements, which consist of pages 8 to 59 were approved by the Board of Directors on 22 February 2018 and signed on its behalf by:





Mohammed bin Khalifa Al Khalifa
Chairman

Abdulrahman Yusuf Fakhro
Deputy Chairman

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

Bahrain Telecommunications Company BSC

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

BD'000

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

BD'000

2017	Note	Equity attributable to equity holders of the Company									
		Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 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 including related tax	25	-	-	-	-	-	(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	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2016		-	-	-	-	-	-	(941)	(941)	-	(941)
Interim dividends declared for 2017	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(13,277)	(13,277)
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 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

BD'000

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

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

1 REPORTING ENTITY

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

Company	Country of incorporation	Principal activity	Share Holding (%)
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
NBNETCO B.S.C.(c)	Kingdom of Bahrain	Telecommunication services	100
Batelco International Company BSC (c)	Kingdom of Bahrain	Holding Company	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
QualityNet General Trading and Contracting Company WLL	State of Kuwait	Telecommunication services	90
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	Maldives	Telecommunication services	52
Sure (Guernsey) Limited	Guernsey	Telecommunication services	100
Sure (Jersey) Limited	Bailiwick of Jersey	Telecommunication services	100
Foreshore Limited	Bailiwick of Jersey	Telecommunication services	100
Sure (Isle of Man) Limited	Isle of Man	Telecommunication services	100
Sure (Diego Garcia) Limited	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 South Group Limited (formerly BTC South Atlantic Limited)	United Kingdom	Holding Company	100
Associate			
Yemen Company for Mobile Telephony Y.S.C ("Sabafon")	Republic of Yemen	Telecommunication services	26.94

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

2 *BASIS OF PREPARATION (continued)*

e) Amendments and interpretations effective from 1 January 2017

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

i. **Disclosure Initiative (Amendments to IAS 7)**
The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

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

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

ii. **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)**
The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION (continued)

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

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

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

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

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

ii. IFRS 16 Leases

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

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

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

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

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

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

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

2 *BASIS OF PREPARATION (continued)*

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

(ii) Subsidiaries

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

3. *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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

b) Foreign currency

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

c) Property and equipment

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

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

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

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

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

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. On-going repair and maintenance are expensed as incurred.

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

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

d) Investment property

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

e) Leased assets

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

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

f) 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.

g) Other intangible assets

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

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

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

h) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset (which is not an equity instrument) is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

All other financial assets are classified as measured at FVTPL.

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

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

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

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

(iii) Derecognition

Financial assets

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

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

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

A financial asset (in whole or in part) is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred or retained substantially all the risks and rewards and when it no longer has control over the financial asset, but has transferred control of the asset.

Write-off

A financial asset is written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the obligor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Financial assets and financial liabilities (continued)

(iv) Other investments under IFRS 9

The Group currently has certain debt securities measured at FVOCI and equity investment designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- Expected credit losses (ECL) and reversals; and
- Foreign exchange gains and losses.

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

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

i) Share capital

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

j) Inventories

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

k) Provisions

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (continued)*

l) Impairment

(i) *Financial assets*

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

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

a) *Measurement of ECLs*

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

b) *Stage Classification: General approach*

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-financial assets (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.

m) Employee benefits

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

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

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

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

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

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

3 *SIGNIFICANT ACCOUNTING POLICIES (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.

n) Borrowing cost

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

o) Tax

Tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or other comprehensive income.

(i) Current tax
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Revenue

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

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

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

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

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

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

q) Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

r) Segment reporting

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Fair value measurement for financial instrument

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

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

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

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

t) Asset held-for-sale

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

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

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

4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

a) Credit risk

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

(i) Trade receivables

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

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

(i) Trade receivables (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. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets aggregated based on customer segment and days past due. For receivables from telecom operators and government accounts, the net position after considering payables is assessed based on a variety of data that are determined to be predictive of the risk of loss (including external credit ratings, financial statements and available external information) and applying experienced credit judgement. For receivables from customers, accounts are segmented by type of exposure such as consumer, enterprise, and others accounts and collective life-time ECL allowance is determined based on historical flow rates, data on payment statistics, actual credit loss experience and management estimates of recoveries based on current status of negotiations and settlement with the customers. The historic loss experience is adjusted to reflect differences between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the remaining life-time of the receivables. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 10).

(ii) Other receivables and long term financing to an associate

Other receivables primarily include receivables on sale of certain investments and financial assets representing contractual rights and claims by the Group. The Group evaluates the recoverable amount of each receivable and recognizes a provision where the expected present value of the cash flow from the financial asset is below the carrying value of the financial asset. The Group has gross maximum exposure to other receivables of BD 84.7 million (2016: BD 58.9 million) and has recognized cumulative credit impaired life-time ECL impairment allowances amounting to BD 35.1 million (2016: BD 31.7 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions is adequate. Long-term financing to associate forms part of the carrying value of the investment in that associate.

(iii) Investments and cash and bank balances

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

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

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

a) *Credit risk (continued)*

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

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

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

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

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

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

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

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

a) *Credit risk (continued)*

(v) *Customers' accounts (including unbilled revenue)*

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

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

Customers' accounts

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

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

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

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

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

a) *Credit risk (continued)*

(vi) *Amounts due from telecommunications operators*

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

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

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 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
	368,252	**388,025**	**154,576**	**17,307**	**216,142**

Non-derivative financial liabilities at 31 December 2016	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	31,346	31,346	31,346	-	-
Accrued expenses and other payables	82,412	82,412	82,412	-	-
Amount due to telecommunications operators	9,947	9,947	9,947	-	-
Loans and borrowings	234,356	280,224	18,157	19,559	242,508
	358,061	403,929	141,862	19,559	242,508

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. Consequently, the currency risk of the Group is limited.

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

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

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

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

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

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

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 1,662 (2016: BD 1,164).This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other price risk

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

d) Capital management

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

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

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

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

e) Accounting classification of financial instruments

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

31 December 2017	**At amortised cost**	**Fair value through OCI**	**Fair value through profit or loss**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	41,488	104	41,592
Trade receivables	49,749	-	-	49,749
Other receivables	49,579	-	-	49,579
Unbilled revenue	24,785	-	-	24,785
Cash and bank balances	158,703	-	-	158,703
	282,816	**41,488**	**104**	**324,408**
Financial liabilities				
Trade payables	38,655	-	-	38,655
Accrued expense and other payables	75,208	-	2,127	77,335
Amounts due to telecommunications operators	14,067	-	-	14,067
Loans and borrowings	238,195	-	-	238,195
	366,125	**-**	**2,127**	**368,252**

31 December 2016	At amortised cost	Fair value through OCI	Fair value through profit or loss	Total carrying amount
Financial assets				
Other investments at fair value	-	42,598	826	43,424
Trade receivables	39,059	-	-	39,059
Other receivables	27,229	-	-	27,229
Unbilled revenue	18,270	-	-	18,270
Cash and bank balances	172,406	-	-	172,406
	256,964	42,598	826	300,388
Financial liabilities				
Trade payables	31,346	-	-	31,346
Accrued expense and other payables	80,309	-	2,103	82,412
Amounts due to telecommunications operators	9,947	-	-	9,947
Loans and borrowings	234,356	-	-	234,356
	355,958	-	2,103	358,061

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

f) Measurement of fair values

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

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

Fair value hierarchy

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

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

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

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

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

31 December 2016	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total fair value	
Financial assets at fair value through Profit and Loss (FVTPL)					
Other investments	-	-	826	826	826
Financial assets at fair value through OCI					
Other investments	42,031	-	567	42,598	42,598
Financial liabilities not measured at fair value					
Loans and borrowings	177,926	-	57,215	235,141	234,356
Financial liabilities measured at fair value					
Contingent consideration (Other Payables)	-	-	2,103	2,103	2,103

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

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5 PROPERTY AND EQUIPMENT

31 December 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**

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

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5 PROPERTY AND EQUIPMENT (continued)

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

6 GOODWILL

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

a) Analysis of Goodwill

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

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

b) Impairment of goodwill

(i) The Group tests for impairment of goodwill annually or more frequently if there are any indications that impairment may have arisen. The recoverable amount of a Cash Generating Unit has been determined based on fair values less costs to sell. Fair values less costs to sell are estimated by using a combination of the capitalised earnings approach and a market approach comparing the same with those of other telecom companies within the region.

(ii) The key assumptions for the fair values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations range between 8.5% to 12%.

(iii) The above estimates were tested by the Group for sensitivity in the following areas:

- An increase / decrease in the discount rate and the long term growth rates used
- A change in market share
- A decrease in future planned revenues and EBITDA margins
- An increase in capex to sales ratio forecasts

The results of the sensitivity testing revealed that the fair values less costs to sell calculations is sensitive to changes in the above variables, and any adverse change in key assumptions could result in a materially significant change in the carrying value of the goodwill and related assets. In case of the Jordan CGU, the recoverable amount of the CGU was assessed to be lower than its carrying value by BD 20 million (2016: BD 10 million) and accordingly an impairment loss has been recognised in 2017 in respect of goodwill allocated to the Jordan CGU. For Maldives, Sure and other locations, recoverable amounts exceed the carrying value by a comfortable range. Refer note on segment reporting (note 31) for details of net assets (including goodwill and intangibles) attributable to each CGU.

7 OTHER INTANGIBLE ASSETS

31 December 2017	**Licenses**	**Others**	**Total**
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	**166,696**	**103,891**	**270,587**
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	**67,132**	**68,986**	**136,118**
Net book value			
At 31 December 2017	**99,564**	**34,905**	**134,469**

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

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

8 INVESTMENT IN ASSOCIATE

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

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

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

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

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

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

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

9 OTHER INVESTMENTS

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

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

10 TRADE AND OTHER RECEIVABLES (continued)

The movement on the allowance for impairment was as follows:

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

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

11 CASH AND BANK

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

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

12 TRADE AND OTHER PAYABLES

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

Trade and other payables are classified as follows:

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

13 PROVISIONS

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

	Voluntary employee retirement program provision		Asset retirement obligation	
	2017	2016	**2017**	2016
At 1 January	-	-	3,781	3,345
Amounts provided during the year	8,050	-	141	436
Amounts paid during the year	(5,698)	-	-	-
At 31 December	**2,352**	-	**3,922**	3,781

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

14 INCOME TAXES

Amounts recognised in profit or loss for the year

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

Corporate income tax is not levied in the Kingdom of Bahrain for telecommunication companies and accordingly the effective tax rate for the Corporation is 0 % (2016: 0 %). The table below reconciles the difference between the expected tax expense of nil (2016: nil) (based on the Kingdom of Bahrain effective tax rate) and the Group's tax charge for the year. Subsidiaries are taxed at the combination of various tax rates ranging from 15 % to 27 %.

Reconciliation of actual to expected tax charge

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

14 INCOME TAXES (continued)

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

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

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

15 LOANS AND BORROWINGS

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

(i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 53.5 million outstanding as of 31 December 2017) has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum and is due to be settled by 2023. As at 31 December 2017, BD 9.7 million of the outstanding amount was classified under current liabilities being due within the next 12 months;

(ii) Vendor financing was obtained by a group company for a total amount of BD 4.2 million (of which BD 1.1 million remains outstanding as of 31 December 2017). The facility bears an interest rate of 3.00% per annum and is due to be settled by 2018. As of 31 December 2017, all of the outstanding amount was classified under current liabilities being due within the next 12 months;

(iii) A Group company has obtained overdraft facilities to support its working capital needs. The interest rate on these facilities range from 5.6 % to 6 % p.a. The undrawn overdraft limits as at 31 December amounted to BD 2.9 million (2016:BD 2.9 million); and

15 LOANS AND BORROWINGS (continued)

(iv) The Group has outstanding long term bonds with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years maturing in 2020, are unsecured and were priced at 325 points over 7 years US Treasuries, for a yield of 4.342% and coupon of 4.250% payable semi-annually.

16 SHARE CAPITAL

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

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

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

- Distribution schedule of equity shares:

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

17 STATUTORY AND GENERAL RESERVE

a) Statutory reserve

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

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

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer was made during the year 2017 by the shareholders of the Company or any other company within the Group.

18 DIVIDENDS

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

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

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

20 REVENUE

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

21 NETWORK OPERATING EXPENSES

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

22 OTHER OPERATING EXPENSES

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

23 OTHER INCOME (NET)

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

24 LOSS ON INVESTMENTS

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

25 POST-EMPLOYMENT BENEFIT ASSETS

a) Defined benefit scheme

At 31 December 2017, the Group operates a defined benefit pension plan (the Scheme) in Sure (Guernsey) Ltd for the employees of that company. Under the Scheme, the retirement benefits are based on the employee's pensionable pay and length of service. The assets of the Scheme are held in a separate trustee administered fund. The Scheme was closed to new entrants from 1 April 2005 and was closed to future accrual by current members on 31 July 2014.

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

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

25 POST-EMPLOYMENT BENEFIT (continued)

a) Defined benefit scheme (continued)

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

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

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

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

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

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

b) Defined Contribution plan

The provision for leaving indemnity in respect of expatriate employees amounted to BD 4.1 million (2016: BD 3.8 million) and is included under provisions and accrued expenses. The Group has recognised BD 0.7 million (2016: BD 1.1 million) as an expense for leaving indemnity in respect of expatriate employees.
The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.3 million (2016: BD 3.6 million).

26 EARNINGS PER SHARE ("EPS")

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

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

27 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

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

b) Contingent liabilities

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

c) Guarantees

(i) As at 31 December 2017, the Group's banks have issued guarantees, amounting to BD 4.8 million (2016: BD 4.5 million) and letters of credit amounting to BD 7.3 million (2016: 0.9 million).

(ii) The Group has furnished a guarantee for BD 3.0 million (2016: BD 3.7 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(iii) The Group has furnished a comfort letter for BD 1.9 million (2016: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

d) Operating leases

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

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

e) Staff housing loans

The Company offers loan assistance to its Bahraini employees for the acquisition of residential properties. The loans are funded through a local commercial bank and secured by a guarantee issued by the Company. The policy of providing staff housing loan guarantees was discontinued in 2007. The Company bears 75% (2016: 75 %) of the loan interest. At 31 December 2017, the Company has an outstanding guarantee of BD 0.8 million (2016: BD 1.0 million) towards housing loans to staff.

28 NON-CONTROLLING INTEREST (NCI)

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

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

29 TRANSACTIONS WITH RELATED PARTIES

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

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

The key management personnel compensation is as follows:

	2017	2016
Short-term employee benefits	2,279	2,413
Post-employment benefits	275	251
Total key management personnel compensation	**2,554**	2,664

	2017	2016
Post-employment benefits outstanding	**165**	251
Directors remuneration (including sitting fees)	**642**	621

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

29. TRANSACTIONS WITH RELATED PARTIES (continued)

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

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

30 COMPARATIVES

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

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31 SEGMENT INFORMATION

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

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

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

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

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

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

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