Bahrain Telecommunications Company BSC

Consolidated Financial Statements

31 December 2019

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Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the 38th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (Batelco), for the year ended 31st December 2019.

In 2019 Batelco continued to achieve strong financial results with a net profit of BD51.6M (US$136.9M), marking a 3% year-over-year increase. The net profit reflects a one off gain of BD28.4M (US$75.3M) from the sale of Batelco's 90% stake in Qualitynet and an impairment loss of BD25.4M (US$67.4M) on Batelco's 26.94% shareholding in Sabafon in Yemen. The sale of Qualitynet was based on the changing telecommunications landscape in Kuwait and the Company's strategy to restructure its international portfolio and provide value to its shareholders. Sabafon faced unique operational challenges due to geopolitical and macroeconomic conditions in Yemen and the impairment reflects the prudent and conservative strategy of the Company and the Board of Directors.

2019 consolidated gross revenues of BD401.5M (US$1,065.0M) are slightly below 2018 with a 1% year-over-year decline. Consolidated revenues have been impacted by the sale of Qualitynet, whereby the company contributed an additional BD11.0M (US$29.2M) of revenues in 2018. However, the home market in Bahrain is the driving force of top line results with a 5% year-over-year increase in revenues boosted by growth in fixed broadband, data communications and mobile services, by 15%, 13% and 3% respectively.

For the full year, EBITDA of BD141.7M (US$375.9M) decreased by 1% due to the BD11.1M (US$29.4M) voluntary employee retirement programme cost. The programme reduces future staff costs whilst simultaneously rewarding employees that wish to retire early. Adjusted EBITDA for the year without the voluntary retirement cost is 7% higher year-on-year, driven by a 5% year-over-year reduction in operating expenses. Batelco continues to report a robust EBITDA margin of 35%.

Batelco's balance sheet remains strong with total assets of BD992.9M (US$2,633.7M) as of 31 December 2019, an increase of 9%. The Company ended the year with substantial cash and bank balances of BD175.5M (US$465.5M) and a Net Debt to EBITDA ratio of 0.44x, considerably lower than the regional and international industry average.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2019.

BD millions	**2019**	**2018**
Final cash dividends proposed	29.11	29.11
Interim cash dividends paid	16.55	16.63
Donations at 2.5%	1.29	1.25
Transfer to statutory reserve	0.23	2.67

Batelco is committed to delivering excellent returns for its shareholders with its efforts leading to attractive dividends. The Board of Directors has recommended a full year cash dividend of BD45.7M (US$121.2M), at a value of 27.5 fils per share to be agreed at the Company's Annual

General Meeting, of which 10 fils per share was already paid during the third quarter of 2019 with the remaining 17.5 fils to be paid following the AGM in March 2020.

The Board is pleased with Batelco's strong financial results, delivered as a result of effective implementation of strategic initiatives, robust operational performance and solid financial discipline.

2019 was a milestone year for Batelco market by the completion of Batelco's legal separation process as part of Bahrain's 4th National Telecommunication Plan, and the creation of an infrastructure company for National Broadband, remaining under the full ownership of Batelco. In October the official launch of BNET B.S.C, Bahrain's National Broadband Network was announced.

Having restructured our organisation following the separation of the Company, we have embarked on a new journey to create a transformed Batelco for this new decade.

Our achievements in 2019 have provided us with a solid platform from which to move forward. We have a new and powerful strategy in place and strong teams which we are confident will allow us to seize market opportunities in support of our goals.

We look forward to seeing the strategy executed in line with our vision, and are confident we have the right elements in place to drive growth and meet our shareholders' expectations.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2020.

Appreciation for Support

The support of Bahrain's leadership and their commitment to the evolution of telecommunication services for the Kingdom continues to elevate the communication's sector. Accordingly, on behalf of Batelco Board of Directors and all Batelco employees, 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.

During this unique phase in Batelco's history with the spin-off of BNET in mid-2019, the trust of our shareholders in our transformational plans was invaluable. On behalf of the members of the Board, I extend appreciation to our shareholders for their ongoing confidence in our strategic direction and it remains a priority for us to achieve the highest possible returns for them.

Additionally, the support of my colleagues on the Board of Directors has never been more vital, and I would like to take the opportunity to extend my grateful appreciation to each member for their invaluable input. On the same note, I offer my sincere thanks to Batelco's management and staff who were committed to transform Batelco to the digital age.

Abdulla bin Khalifa Al Khalifa

Chairman of the Board

Bahrain Telecommunications Company BSC

February 20th 2020

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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 2019, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows 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 2019, 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 2019. 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 8 c) and disclosure in note 26 of the consolidated financial statements)

Description	***How the matter was addressed in our audit***
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.	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 including IFRS 15 related disclosures were appropriate.

KPMG Fakhro, a Bahrain partnership registered with Ministry of Industry and Commerce (MOIC), 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 5 and impairment policy in note 8(m)(ii) and disclosure in note 11 of the consolidated financial statements)

Description	***How the matter was addressed in our audit***
As at 31 December 2019, the Group's consolidated financial statements includes recognised goodwill of BD 136.2 million which arose from the acquisition of subsidiaries. Impairment charges on goodwill has been recognized in the prior periods. An assessment is required annually to establish whether this goodwill should continue to be recognized or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary or a cash generating unit 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 judgement and hence has been identified as a key area of audit focus.	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 5 and impairment policy in note 8 a (v) 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 an associate 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 — During the year, the Group has fully impaired its investment in its associate in Yemen	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 8(d) and 8(f) and disclosures in note 9 and 12 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 the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the report of the board of directors which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

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

Responsibilities of the board of directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2019 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

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

2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance

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

KPMG Fakhro
Partner registration number 137
20 February 2020

Bahrain Telecommunications Company BSC

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019	BD'000 2018*
ASSETS			
Non-current assets			
Property and equipment	9	277,143	257,310
Right-of-use assets	10	45,391	-
Goodwill	11	136,208	135,367
Other intangible assets	12	151,417	118,594
Equity accounted investees	13	13	27,860
Deferred tax assets	14	10,058	9,639
Post-employment benefit assets	15	5,183	4,749
Other investments	16	19,756	45,257
Total non-current assets		**645,169**	598,776
Current assets			
Inventories		8,221	6,659
Trade and other receivables	17	136,901	124,525
Other investments	16	27,075	12,839
Cash and bank balances	18	175,508	142,763
Asset held-for-sale		-	26,814
Total current assets		**347,705**	313,600
Total assets		**992,874**	912,376
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	18,502	4,171
Lease liabilities		37,642	-
Loans and borrowings	22	38,854	211,902
Deferred tax liabilities	14	10,512	10,302
Total non-current liabilities		**105,510**	226,375
Current liabilities			
Trade and other payables	20	168,587	136,612
Lease liabilities		6,562	-
Loans and borrowings	22	198,840	24,878
Liabilities directly associated with asset held-for-sale		-	19,631
Total current liabilities		**373,989**	181,121
Total liabilities		**479,499**	407,496
Net assets		**513,375**	504,880
EQUITY			
Share capital	24	166,320	166,320
Statutory reserve	25	83,160	83,160
General reserve	25	44,000	44,000
Foreign currency translation reserve		(14,490)	(18,254)
Investment fair value reserve		(28,684)	(29,838)
Post-employment benefit actuarial reserve	15	(4,177)	(4,328)
Treasury Shares		(2,059)	-
Retained earnings		229,040	224,188
Total equity attributable to equity holders of the Company		**473,110**	465,248
Non-controlling interest		40,265	38,914
Non-controlling interest associated with asset held-for-sale	19	-	718
Total non-controlling interest		40,265	39,632
Total equity (Page 12 - 13)		**513,375**	504,880

*December 2019 results reflect the adoption of IFRS 16. Prior periods have not been restated. Refer note 6 (c) for further details.

The consolidated financial statements, which consist of pages 9 to 69 were approved by the Board of Directors on 20 February 2020 and signed on its behalf by:

Abdulla bin Khalifa Al Khalifa
Chairman

Yousif Malallah AlSabt
Deputy Chairman

Mikkel Vinter
Chief Executive Officer

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC

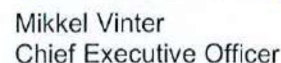
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

BD'000

	Note	2019	2018*
Revenue	26	**401,466**	405,853
Expenses			
Network operating expenses	27	(148,013)	(160,178)
Staff costs		(55,496)	(56,286)
Voluntary employee retirement program cost	21	(11,094)	-
Depreciation, amortization and impairment of equipment	9,10,12	(66,221)	(70,097)
Impairment loss on trade receivables and contract assets	17	(4,146)	(5,311)
Other operating expenses	28	(41,044)	(41,239)
Total expenses		**(326,014)**	(333,111)
Results from operating activities		**75,452**	72,742
Finance income		7,633	6,014
Finance expenses		(15,425)	(13,158)
Other (expenses)/ income	29	(127)	3,362
Gain on sale of investment in subsidiary	19	28,421	-
Impairment of investment in associate	13	(25,381)	-
Share of loss from associates, net	13	(2,833)	(6,976)
Profit before taxation		**67,740**	61,984
Income tax expense	14	(5,697)	(1,769)
Profit for the year		**62,043**	60,215
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		3,396	(5,053)
Fair value changes (debt securities)		1,154	80
		4,550	(4,973)
Items that will never be reclassified to profit or loss			
Fair value changes (equity securities)		-	(3,151)
Remeasurement of defined benefit asset including related tax	15	151	1,337
		151	(1,814)
Other comprehensive income, net of tax		**4,701**	(6,787)
Total comprehensive income for the year		**66,744**	53,428
Profit for the year attributable to:			
Equity holders of the Company		51,642	50,108
Non-controlling interest		10,401	10,107
		62,043	60,215
Total comprehensive income for the year attributable to:			
Equity holders of the Company		56,341	43,324
Non-controlling interest		10,403	10,104
		66,744	53,428
Basic and diluted earnings per share (Fils)	30	**31.2**	30.2

* 2019 results reflect the adoption of IFRS 16. Prior periods have not been restated. Refer note 6 (c) for further details.

The consolidated financial statements, which consist of pages 9 to 69 were approved by the Board of Directors on 20 February 2020 and signed on its behalf by:



Abdulla bin Khalifa Al Khalifa
Chairman

Yousif Malallah AlSabt
Deputy Chairman

Mikkel Vinter
Chief Executive Officer

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC

Consolidated Statement of Cash Flows
For the year ended 31 December 2019 BD'000

	Note	2019	2018*
Operating Activities			
Profit for the year		62,043	60,215
Adjustment for:			
Non-operating items, including tax		(14,805)	5,551
Impairment of investment in associate		25,381	-
Share of loss from associates, net		2,833	6,976
Depreciation amortization and impairment of equipment		66,221	70,097
Impairment loss on trade receivables and contract assets	17	4,146	5,311
		145,819	148,150
Working capital changes:			
Increase in trade and other receivables		(9,850)	(15,996)
(Increase) / decrease in inventories		(1,613)	995
Increase / (decrease) in trade and other payables		16,861	(10,240)
Cash generated from operating activities		**151,217**	122,909
Taxes paid		(7,011)	(6,102)
Payment to charities		(798)	(2,790)
Net cash from operating activities		**143,408**	114,017
Investing Activities			
Acquisition of property, equipment and intangibles		(79,412)	(48,286)
Proceeds from disposal of investment in subsidiary	19	18,890	-
Net cash for purchase of other investments and disposal		(20,367)	(6,830)
Interest and investment income received		6,010	7,380
Net cash used in investing activities		**(74,879)**	(47,736)
Financing Activities			
Dividend paid		(54,947)	(52,509)
Payment of lease liabilities		(9,748)	-
Interest paid		(12,276)	(11,920)
Borrowings (net)		554	(1,818)
Treasury share acquired		(2,059)	-
Net cash used in financing activities		**(78,476)**	(66,247)
(Decrease) / increase in cash and cash equivalents		**(9,947)**	34
Cash and cash equivalents at 1 January	18	96,357	96,323
Cash and cash equivalents at 31 December	18	**86,410**	96,357

*December 2019 results reflect the adoption of IFRS 16 where the Group has classified cash payments for principle portion of lease liabilities as financing activities. Prior periods have not been restated. Refer note 6 (c) for further details.

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

BD'000

2019	Note	Equity attributable to equity holders of the Company									Non - controlling interest	Total equity
			Reserves									
		Share Capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Treasury shares	Retained earnings	Total		
At 1 January 2019		166,320	83,160	44,000	(18,254)	(29,838)	(4,328)	-	224,188	465,248	39,632	504,880
Profit for the year		-	-	-	-	-	-	-	51,642	51,642	10,401	62,043
Other comprehensive income												
Foreign currency translation differences		-	-	-	3,394	-	-	-	-	3,394	2	3,396
Investment fair value changes		-	-	-	-	1,154	-	-	-	1,154	-	1,154
Remeasurement of defined benefit asset including related tax	15	-	-	-	-	-	151	-	-	151	-	151
Total other comprehensive income		-	-	-	**3,394**	**1,154**	**151**	-	-	**4,699**	**2**	**4,701**
Total comprehensive income for the year		-	-	-	**3,394**	**1,154**	**151**	-	**51,642**	**56,341**	**10,403**	**66,744**
Contributions and distributions												
Final dividends declared for 2018	31	-	-	-	-	-	-	-	(28,983)	(28,983)	-	(28,983)
Interim dividend declared for 2019	31	-	-	-	-	-	-	-	(16,554)	(16,554)	-	(16,554)
Donations approved for 2018		-	-	-	-	-	-	-	(1,253)	(1,253)	-	(1,253)
Treasury shares acquired		-	-	-	-	-	-	(2,059)	-	(2,059)	-	(2,059)
Transfer to statutory reserve	25	-	566	-	-	-	-	-	(566)	-	-	-
Derecognition of a subsidiary on loss of control	19	-	(566)	-	370	-	-	-	566	370	(360)	10
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	-	(9,410)	(9,410)
Total contributions and distributions		-	-	-	**370**	-	-	**(2,059)**	**(46,790)**	**(48,479)**	**(9,770)**	**(58,249)**
At 31 December 2019		**166,320**	**83,160**	**44,000**	**(14,490)**	**(28,684)**	**(4,177)**	**(2,059)**	**229,040**	**473,110**	**40,265**	**513,375**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

BD'000

2018	Note	Equity attributable to equity holders of the Company								Non - controlling interest	Total equity
			Reserves								
		Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total		
At 1 January 2018 (previously reported)		166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	211,212	461,883	40,584	502,467
Impact of First time adoption of IFRS 15		-	-	-	-	-	-	1,479	1,479	111	1,590
Balance at 1 January 2018 as restated		166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	212,691	463,362	40,695	504,057
Profit for the year		-	-	-	-	-	-	50,108	50,108	10,107	60,215
Other comprehensive income											
Foreign currency translation differences		-	-	-	(5,049)	-	-	(1)	(5,050)	(3)	(5,053)
Investment fair value changes		-	-	-	-	(3,071)	-	-	(3,071)	-	(3,071)
Remeasurement of defined benefit asset including related tax	15	-	-	-	-	-	1,337	-	1,337	-	1,337
Total other comprehensive income		-	-	-	(5,049)	(3,071)	1,337	(1)	(6,784)	(3)	(6,787)
Total comprehensive income for the year		-	-	-	(5,049)	(3,071)	1,337	50,107	43,324	10,104	53,428
Contributions and distributions											
Final dividends declared for 2017	31	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2017		-	-	-	-	-	-	(87)	(87)	-	(87)
Transfer from statutory reserve	25	-	(956)	-	15	-	-	1,091	150	(150)	-
Transfer from general reserve	25	-	-	(1,890)	3	-	-	1,966	79	(79)	-
Interim dividends declared for 2018	31	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(10,938)	(10,938)
Total contributions and distributions		-	(956)	(1,890)	18	-	-	(38,610)	(41,438)	(11,167)	(52,605)
At 31 December 2018		166,320	83,160	44,000	(18,254)	(29,838)	(4,328)	224,188	465,248	39,632	504,880

The accompanying notes 1 to 39 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 2019 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 associates. 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 significant subsidiaries and associate of the Group included in these consolidated financial statements are as follows:

Company	Country of incorporation	Principal activity	Share Holding (%)
Subsidiaries			
Bnet B.S.C (c)	Kingdom of Bahrain	Telecommunication services	100
Batelco Middle East Holding Co. B.S.C (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Company B.S.C (c)	Kingdom of Bahrain	Holding Company	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
Umniah for Renewable energy	Kingdom of Jordan	Renewable energy	96
QualityNet General Trading and Contracting Company WLL*	State of Kuwait	Telecommunication services	90
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	Maldives	Telecommunication services	52
Sure (Guernsey) Limited	Guernsey	Telecommunication services	100
Sure (Jersey) Limited	Bailiwick of Jersey	Telecommunication services	100
Foreshore Limited	Bailiwick of Jersey	Telecommunication services	100
Sure (Isle of Man) Limited	Isle of Man	Telecommunication services	100
Sure (Diego Garcia) Limited	Bermuda	Telecommunication services	100
Sure South Atlantic Limited	Falklands	Telecommunication services	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
BTC Sure Group Limited	United Kingdom	Holding Company	100
Associates			
Yemen Company for Mobile Telephony Y.S.C ("Sabafon")	Republic of Yemen	Telecommunication services	26.94
The Jordanian Company For Advanced Optical Fiber – (FiberTech)	Kingdom of Jordan	Telecommunication services	49

* Sold during 2019. Please refer Note 19 for further details

2. Basis of Preparation

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

This is the first set of the Group's consolidated financial statements in which IFRS 16 *Leases* have been applied. Changes to significant accounting policies are described in Note 6.

The Group's current liabilities at 31 December 2019 exceed its current assets by BD 26,284 mainly due to bonds maturing in May 2020 with a face value of BD 178,300 (refer Note 22). The Group has mandated a Group of banks to arrange and underwrite a term loan of USD 450 Million to refinance these bonds, which exercise will be concluded before May 2020. Accordingly, the management does not foresee any issues in meeting the Group obligations as and when these falls due and therefore the accounts are prepared on a going concern basis.

3. 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.

4. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for measurement of certain investment securities that are stated at their fair values

5. Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's 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 estimates are recognized prospectively.

A. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 8 (c) — Revenue recognition: estimates of expected returns;
- Note 8 (n) — Measurement of defined benefit obligations: key actuarial assumptions;
- Note 8 (q) — Recognition of deferred tax assets: availability of future taxable profits against deductible temporary difference and tax losses carried forward can be utilised;
- Note 8 (m) — Impairment test of intangible assets and goodwill. Key assumptions underlying recoverable amounts;
- Note 8 (l) — Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 8 (m) — Measurement of expected credit loss ("ECL") allowance of trade receivables and contract assets: key assumptions underlying ECL
- Note 8 (a) (v) — Impairment of carrying value of associates

5. Use of estimates and judgments (continued)

B. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 8 (c) — Revenue recognition, identification of performance obligation and whether revenue from contracts with customers should be recognised over time or at a point in time;
- Note 13 — Investment in associates: whether the Group has significant influence over an associate;
- Note 8(a) — Consolidation: whether the Group has de facto control over an investee
- Note 10 — Lease term: whether the Group is reasonably certain to exercise extension options.
- Note 9 — Useful life of property and equipment

C. Measurement of fair values

A number of the Group's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted market price (unadjusted) in an active market for an identical assets and liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset and liability that are not based on observable market data (unobservable inputs).

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entre measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 32 & 33 — Financial instruments

6. Changes in significant accounting policies

The Group initially applied IFRS 16 *Leases* from 1 January 2019, its effective date of implementation. The Group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Previously, the Group determined at contract inception whether an arrangement was or contains a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

B. As a lessee

As a lessee, the Group leases many assets including telecom sites, retail shops and other rented premises and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Group classified telecom sites, retail shops and other rented premises and equipment leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application; Did not recognise right-of-use assets and liabilities for lease of low value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised an additional right-of-use assets BD 42,758 of right-of-use asset and BD 42,236 of lease liabilities, with related difference credited to lease related prepayments.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.65%

Particulars	Amount
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group consolidated financial statements	43,743
Less: Commitments related to held-for-sale asset	(1,560)
: Low value leases	(288)
Impact of discounting	(8,134)
Add: Extension and termination options reasonably certain to be exercised	7,488
Variable lease payments based on an index	987
Lease liabilities recognised on 1 January 2019	**42,236**

7. 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 2019 are earlier application is permitted, however, the Group has not early adopt the new or amended standards in preparing these consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

8. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by the Group's entities, except for changes arising from the adoption of IFRS 16 as set out in note 6.

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. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the 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 ceases.

iii) Non-controlling interests (NCI)
NCI are measured initially 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.

v) Interest in equity-accounted investees
The Group interest in equity-accounted investees comprises interest in associates and a joint venture.

An associate is an entity over which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of income and expenses and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. Associates are assessed for impairment.

The net investment in an associate or joint venture is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.

vi) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the Group's entities at the exchange rate at reporting 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.

Non-Monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translations of an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are classified to profit or loss) are recognised in OCI.

(ii) Financial statements of foreign operations
The assets and liabilities including goodwill and fair value adjustments arising on acquisition of the Group's subsidiaries and associates based outside the Kingdom of Bahrain ("foreign operations") are translated into Bahraini Dinars at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Bahraini Dinars at average exchange rates prevailing during the year.

Exchange differences arising on translation of foreign operations are recognised in the other comprehensive income and presented in equity as a foreign currency translation reserve. Foreign currency differences are accumulated into foreign currency translation reserve in owners' equity, except to the extent the translation difference is allocated to NCI.

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

c) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Nature of goods and service

Sale of equipment
Revenue from handset and other equipment sales is recognised when the product is delivered, and on transfer of control to the customer.

If revenue arrangements from bundled contracts include more than one Performance Obligation (PO), the arrangement consideration is allocated to each performance obligation based on their relative standalone selling price (SSP).

For equipment sold with the right of return after the control has been passed onto the customer, the Group defers revenue based on the expected returns per the historical return data for the last 24 months. Such revenue will need to be recognized only when the related return period expires.

Provision of Network Services

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

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

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

Contract Costs

Contract costs that are incremental in obtaining a contract with a customer are capitalized and amortised over the period of related revenues. Applying the practical expedient per IFRS15, the Group recognises incremental cost of obtaining a contract as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

(i) Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

(ii) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time as the related performance obligations are fulfilled.

d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

(ii) Subsequent expenditure
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) 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	Current Estimated useful life (Years)
Buildings	5 – 50
Network assets & telecom equipment	2 – 40
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. During the year, the Company reassessed useful lives of property and equipment and other intangible assets with major impact on the useful lives for the network assets which were increased from 25 to 40 years.

(iv) 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.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both and that is not occupied by the Group for use in rendering of its services or for administrative purposes. Investment property is initially 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.

Rental income from investment property is recognised as other income in straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

f) Intangible assets and goodwill

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually at the balance sheet date.

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

License fees, trade name, customer relationships & associated assets, non-network software and Indefeasible Rights of Use (IRUs). acquired or incurred by the Group have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

(i) Amortisation

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

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

Amortisation methods, useful lives and residual values, are reviewed at each reporting date and adjusted, if appropriate.

g) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.
Short term leases and lease of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exersiable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties as well as leased property (see Note 10). All leases are classified as operating leases from a lessor perspective.

Policy applicable before 1 January 2019

As a lessor
For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee
In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

h) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, impairment and share of profit of equity-accounted investees and income taxes.

i) Financial instruments

(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.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financial component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL). A financial asset (which is not an equity instrument) is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and interest

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

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

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

Reclassifications

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

Financial liabilities

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

Derecognition

Financial assets

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

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

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

Write-off

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

Financial liabilities

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

The Group currently has certain debt securities measured at FVOCI and equity investment designated as at FVOCI. For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

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

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

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

j) Share capital

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

k) Inventories

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

l) Provisions

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

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

m) Impairment

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

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

b) Stage Classification: General approach

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

Stage 2: Lifetime ECL - not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL - credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n) Employee benefits

(i) Short term employee benefits
Short term employee benefits are expensed as the related service is provided. A liability is recongnised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) 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.

(iii) 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.

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

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

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

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

(v) 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.

(vi) 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.

(vii) Termination benefits

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

o) Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Dividend income;
- The foreign currency gain and loss on financial assets and financial liabilities;
- The net gain or loss on financial assets at FVTPL;
- The gain on remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

p) 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.

q) 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.

r) 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.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (refer to note 38). The Group primarily identifies its segment on the basis of geographical operations that are managed as a single performance unit for the purpose of internal reporting to its BOD.

t) 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.

u) 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.

BD'000

9. Property and Equipment

31 December 2019	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2019
Cost					
At 1 January	77,120	553,721	43,397	47,671	721,909
Additions	-	15,046	744	45,785	61,575
Projects completed	503	30,733	2,834	(34,070)	-
Disposals	(582)	(18,004)	(2,549)	(12)	(21,147)
Effect of movements in exchange rates	200	1,686	911	88	2,885
At 31 December	**77,241**	**583,182**	**45,337**	**59,462**	**765,222**
Depreciation					
At 1 January	54,028	379,491	31,080	-	464,599
Charge for the year	1,140	36,908	3,662	-	41,710
Disposals	(571)	(17,099)	(2,443)	-	(20,113)
Effect of movements in exchange rates	97	1,123	663	-	1,883
At 31 December	**54,694**	**400,423**	**32,962**	**-**	**488,079**
Net book value					
At 31 December 2019	**22,547**	**182,759**	**12,375**	**59,462**	**277,143**

For a list of properties owned and rented by the Company, please refer to note 39.

BD'000

9 Property and Equipment (continued)

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

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

10. Right-of-Use Assets and Lease Liabilities

The Group leases telecom sites, retail shops and other rented premises and equipment. The leases typically run for a period of 5-10 years, with an option to renew the lease after that date. Lease payments are renegotiated at the time of signing the new contract to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indicates. For certain leases, the Group is restricted from entering into any sub-lease arrangement.

a) Right of Use Assets

Information about leases for which the Group is a lessee is presented below. Right-of-use assets related to leased properties that do not meet the definition of investment property.

	Land and buildings	Network assets and Telecom Equipment	Motor vehicles, Furnitures, fittings & office equipment	Total
2019				
Balance at 1 January	23,804	17,359	1,595	42,758
Additions	1,826	7,910	350	10,086
Amortisation charge for the period	(3,970)	(3,354)	(562)	(7,886)
Effect of movements in exchange rates	437	(4)	-	433
Balance at 31 December 2019	**22,097**	**21,911**	**1,383**	**45,391**

b) Lease Liabilities

Amounts recognised in profit or loss in 2019 – Leases under IFRS 16	
Interest on leases liabilities	2,415
Expenses relating to short-term leases	6,064
2018 – operating leases under IAS 17	
Lease expense	12,213

Future minimum lease payments for non-cancellable operating leases

Within one year	3,819
After one year but not more than five years	16,339
More than five years	11,087

c) Leases as lessor

The Group leases out its owned commercial properties on an arm's length basis.

11. Goodwill

	2019	2018
At 1 January	135,367	136,602
Exchange rate adjustments	841	(1,235)
At 31 December	**136,208**	135,367

a) Analysis of Goodwill

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

	2019	2018
Jordan	91,318	91,318
Maldives	21,871	21,871
Sure	22,983	22,143
Others	36	35
	136,208	135,367

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 (CGU) has been determined based on fair values less costs to sell. Fair values less costs to sell are estimated by using a combination of the capitalised earnings approach and a market approach comparing the same with those of other telecom companies within the region.

(ii) The key assumptions for the fair values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The post-tax discount rates used for the calculations range between 8.5% to 12.1%.

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

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

The results of the sensitivity testing revealed that the fair values less costs to sell calculations is sensitive to changes in the above variables, and any adverse change in key assumptions could result in a materially significant change in the carrying value of the goodwill and related assets. In case of the Jordan CGU, the recoverable amount of the CGU was more than its carrying value and accordingly no impairment loss has been recognised in 2019 (2018: nil) in respect of goodwill allocated to the Jordan CGU. For Maldives, Sure Group and other locations, recoverable amounts exceed the carrying value by a comfortable range. Refer note on segment reporting (note 38) for details of net assets (including goodwill and intangibles) attributable to each CGU.

12. Other Intangible Assets

31 December 2019	**Licenses**	**Others**	**Total**
Cost			
At 1 January	165,594	105,339	270,933
Additions during the year	44,337	3,653	47,990
Disposals during the year	-	(2,688)	(2,688)
Effect of movements in exchange rates	1,316	1,066	2,382
At 31 December	**211,247**	**107,370**	**318,617**
Amortisation			
At 1 January	76,752	75,587	152,339
Charge for the year	11,351	4,719	16,070
Disposals during the year	-	(2,688)	(2,688)
Effect of movements in exchange rates	643	836	1,479
At 31 December	88,746	78,454	167,200
Net book value			
At 31 December 2019	**122,501**	**28,916**	**151,417**

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

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

13. Equity Accounted Investees

	2019	2018
Investment in Sabafon (a)	-	27,860
Investment in FiberTech (b)	13	-
At 31 December	**13**	27,860

a. 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.

Due to the unique operating challenges faced by Sabafon (including ongoing conflict in Yemen and seizure of part of its operations) the Group fully impaired its investment in Sabafon in 2019. This resulted in an impairment loss of BD 25.4M at 31 December 2019 (2018: nil).

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

	2019	2018
At 1 January	27,860	34,836
Share of loss of associate (net)	(2,479)	(6,976)
Impairment	(25,381)	-
At 31 December	-	27,860

The summarised aggregate financial information of the associate based on latest available financial statements (audited as of 31 December 2018; 2018: unaudited as of 30 November 2018) is as follows:

	2019	2018
Non-current assets	55,664	67,810
Current assets	56,532	59,474
Non-current liabilities	(51,346)	(55,257)
Current liabilities	(53,972)	(70,500)
Revenues	55,414	51,262
Net loss for the period	(8,216)	(13,568)

13. Equity-accounted investees (continued)

b. During 2019, one of Group subsidiaries invested in 49% of share capital of The Jordanian Company for Advanced Optical Fiber ("FiberTech"). The principal activities of FiberTech are to provide mass high-speed internet services to telecommunications companies and internet service providers operating in Jordan. During the year, the Group recognised a loss of BD 260 (2018: nil) in respect of its share of loss from this associate.

The summarised aggregate financial information of the FiberTech as of 31 December 2019 is as follows:

	2019
Total assets	18,195
Total liabilities	(18,666)
Revenues	28
Net loss for the period	(526)

c. During 2019, the Group initiated the process of forming a joint venture with another regional operator to provide telecom infrastructure services within the GCC region. The Group has not yet made any capital contributions for this venture but recorded a loss of BD 94 as its share of pre-operating expenses of this joint venture.

14. Income Taxes

Amounts recognised in profit or loss for the year

	2019	2018
Current tax expense	6,215	6,961
Deferred tax expense	(518)	(5,192)
Tax expense for the year	**5,697**	1,769

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 % (2018: 0 %). The table below reconciles the difference between the expected tax expense of nil (2018: 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

	2019	2018
Profit before tax	**67,740**	61,984
Corporation tax rate of 0% in Bahrain (2018: 0 %)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	5,697	1,769
Tax expense for the year	5,697	1,769
Profit after tax for the year	**62,043**	60,215

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

	2019	2018
At 1 January	10,302	13,837
Credit to the consolidated profit or loss	(370)	(3,087)
Other movements	313	-
Exchange differences	267	(448)
At 31 December	**10,512**	**10,302**

The recognised deferred tax asset of BD 10,058 (2018: BD 9,639) is attributable to the temporary differences related to Group's operations in Jordan, Maldives and Channel Islands jurisdictions.

15. Post-Employment Benefit Assets

a) Defined benefit scheme

Funded schemes

At 31 December 2019, 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.

	2019			2018		
	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	13,726	18,475	(4,749)	16,574	20,171	(3,597)
Included in profit or loss						
Interest costs/ (income)	391	529	(138)	385	470	(85)
Expense costs	-	(46)	46	-	(54)	54
	391	483	(92)	385	416	(31)
Included in OCI						
Actuarial changes arising from:						
- demographic assumptions	(341)	-	(341)	(460)	-	(460)
- financial assumptions	991	-	991	(1,142)	-	(1,142)
- experience adjustments	(219)	-	(219)	(112)	-	(112)
Return on plan assets excluding interest income	-	582	(582)	-	(377)	377
Movements in exchange rates	533	724	(191)	(982)	(1,198)	216
	964	1,306	(342)	(2,696)	(1,575)	(1,121)
Other						
Contributions paid by employer						
Benefits paid	(684)	(684)	-	(537)	(537)	-
At 31 December	**14,397**	**19,580**	**(5,183)**	13,726	18,475	(4,749)

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

	2019	2018
Interest income on benefit obligation	(138)	(85)
Expense cost	46	54
	(92)	(31)

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

	2019	2018
Bonds	3,882	3,591
Others	15,698	14,884
	19,580	18,475

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

Assumptions	**2019**	2018
Price inflation	**3.00%**	3.50%
Discount rate	**2.00%**	2.90%
Pension increases	**3.00%**	3.50%
Life expectancy of male aged 60 in 2019 (2018:2018)	**27.0**	27.5
Life expectancy of male aged 60 in 2039 (2018:2038)	**28.8**	29.4

b) Unfunded Defined benefits

The provision for leaving indemnity in respect of employees amounted to BD 1.9 million (2018: BD 4.4 million) and is included under Trade and other payables.

c) Defined contribution plan

The Group's contributions in respect of employees against their pension rights and other social benefits amounted to BD 5.0 million (2018: BD 5.2 million).

16. Other Investments

			2019	2018
I.	Financial Investments			
a.	At Fair Value Through Other Comprehensive Income (FVOCI)			
-	Debt securities	(i)	34,471	46,801
-	Equity securities	(ii)	5,275	4,195
b.	At Fair Value Through Profit and Loss (FVTPL)			
-	Equity securities		88	103
			39,834	51,099
II.	Investment properties, at cost	(iii)	6,997	6,997
			46,831	58,096

Other investments are classified as follows:

	2019	2018
Current assets	27,075	12,839
Non-current assets	19,756	45,257
	46,831	58,096

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

- Bahrain Sovereign Bonds amounting BD 34.5 million (2018: BD 34.0 million). These bonds have maturity dates ranging from 2020 to 2023, carry a fixed semi-annual coupon interest ranging from 5.5% to 6.125% per annum on the face value.

(ii) Equity securities at FVOCI include:

- BD 3.8 million (2018: BD 3.8 million) representing market value of equity investment in Etihad Atheeb Telecommunications Company ("the investee"), a company listed on Saudi Stock Exchange. In 2018, there was no change in the market value of the investment.
- BD 1.5M (2018: BD 0.4M) representing Group's investment in Al Waha Venture Capital Fund of Funds, which is closed ended Bahrain domiciled PIU managed by Bahrain Development Bank. As the fund is not fully deployed, the current year cost represents the net asset value of the fund which approximates its fair value.

(iii) Investment properties comprise Group's investment in certain land plots in an overseas territory that were acquired during 2018 as part of an exchange transaction. The fair value of the properties at 31 December 2019 was estimated at BD 11.8 million (2018:BD 11.8 million) based on a valuation by a qualified independent valuer. This valuation qualifies as the stage 2 fair valuation estimate.

17. Trade and Other Receivables

	2019	2018
Trade receivables	76,352	74,136
Contract assets (unbilled revenue)	27,433	26,788
Less impairment allowance	(21,219)	(25,125)
	82,566	75,799
Prepaid expenses	7,162	6,760
Other receivables	47,173	41,966
	136,901	124,525

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

	2019	2018
Customer accounts	39,659	34,449
Telecom operators	15,474	14,562
Contract assets (unbilled revenue) (Note 26)	27,433	26,788
	82,566	75,799

The movement on the allowance for impairment was as follows:

	2019	2018
At 1 January	25,125	25,181
Impairment loss recognised for the year	4,146	5,311
Provision related to asset held-for-sale	-	(4,394)
Effect of movements in exchange rates	(14)	118
Written off during the year	(8,038)	(1,091)
At 31 December	**21,219**	25,125

The impairment allowances as at 31 December 2019 and 2018 represent life-time ECL on trade receivables and contracts assets (refer to note 33).

18. Cash and Bank Balances

	2019	2018
Cash in hand	376	419
Cash at bank	175,132	142,344
	175,508	142,763

Cash and bank include BD 89,098 (2018: BD 56,976) on account of short-term deposits with maturities exceeding three months and unclaimed dividends which have been excluded for the purposes of statement of cash flows.

19. Gain on Sale of Investment in Subsidiary

On 6 May 2019, the Group sold its 90% shareholding in QualityNet General Trading and Contracting Company WLL ("QualityNet") to Kuwait Telecommunications Company ("VIVA") resulting in the Group losing control over the Kuwait subsidiary.

As a consequence, the individual assets and liabilities of the subsidiary were derecognised from the consolidated financial statements. The total assets and liabilities deconsolidated on losing control over QualityNet is as given below:

	At 6th May 2019
Property and equipment	1,676
Intangible assets	618
Right of use assets	1,482
Inventories	273
Trade and other receivables	7,988
Bank and cash balances	13,145
Total assets	**25,182**
Liabilities	
Trade and other payables	20,064
Lease liabilities	1,514
Total liabilities	**21,578**
Net assets	**3,604**
Non-controlling interest – derecognized	**(360)**
Foreign currency translation reserve – derecognized	**370**

The net income and cashflows from QualityNet from 1 January 2019 to the derecognition date on 6 May 2019 included within the consolidated financial statements are given below:

Comprehensive income	
Revenue (External customers)	9,546
Inter-segment revenue	1,862
Total revenue	11,408
Depreciation and amortisation	(555)
Other operating expenses	(10,262)
Results from operating activities	591
Non-operating items	(52)
Profit for the period	**539**
Other comprehensive income	27
Total comprehensive income	**566**

Cash Flows	
Net cash from operating activities	7,353
Net cash used in investing activities	(396)

Gross consideration	32,035
Less: Cash and cash equivalents of the subsidiary as at date of de-recognition	(13,145)
Net cash flows on derecognition of subsidiary	**18,890**

20. Trade and Other Payables

	2019	2018
Trade payables	74,167	35,295
Amounts due to telecommunications operators	10,308	10,087
Provisions, accrued expenses and other payables	71,889	61,913
Contract liability (Note 26)	3,954	3,091
Customer deposits and billings in advance	24,154	26,937
Current tax liability	2,617	3,460
	187,089	140,783

Trade and other payables are classified as follows:

	2019	2018
Current liabilities	168,587	136,612
Non-current liabilities	18,502	4,171
	187,089	140,783

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

	2019	2018
At 1 January	3,091	3,055
Cash received during the year	32,480	28,144
Transferred to revenue during the year	(31,637)	(28,077)
Effect of movements in exchange rates	20	(31)
At 31 December	**3,954**	**3,091**

21. 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		Asset retirement obligation	
	2019	2018	**2019**	2018
At 1 January	-	2,352	4,171	3,922
Amounts provided during the year	11,094	-	163	292
Amounts paid during the year	(10,960)	(2,352)	-	-
Reclassification	270		-	-
Amounts written back during the year	-	-	(1,152)	(43)
At 31 December	**404**	-	**3,182**	**4,171**

Voluntary Employee Retirement Program

During the year, the Board of Directors approved a voluntary employee retirement program to restructure the operations in line with its strategy. In accordance with the provisions of IAS 37 – Provisions, Contingent Liabilities and Contingent assets, the Group recognised provision of BD 11.1 million for expected costs of this program during 2019, of which BD 11.0 million was utilised during the year and BD 0.4 million has been carried forward as at 31 December 2019.

Asset Retirement Obligation

The provision for asset retirement obligations represent the provisions made for the best estimate of the present value of the unavoidable future cost of dismantling and removing the items of property and equipment and restoring the sites on which they are located. The following assumptions have been used to calculate the asset retirement obligation at reporting date:

	2019	**2018**
Expected rate of increase of the dismantling cost	3.5%	7%
Discount rate	10%	7.7%

22. Loans and Borrowings

		2019	2018
a) Current			
Term financing from a bank	*(i)*	9,739	9,739
Term financing from a bank	*(ii)*	797	-
Overdraft liabilities	*(iii)*	10,127	15,139
Bonds	*(v)*	178,177	-
		198,840	24,878
b) Non-current			
Term financing from a bank	*(i)*	24,347	34,085
Term financing from a bank	*(ii)*	1,859	-
Term financing from a bank	*(iv)*	12,648	-
Bonds	*(v)*	-	177,817
		38,854	211,902
		237,694	236,780

(i) Long term loan facility with a total available amount of BD 58.4 million (of which BD 34.1 million outstanding as of 31 December 2019) which has been utilised by a group company to fund the company's working capital and license fees. The facility bears an interest rate of PLR – 3.35% per annum and is due to be settled by 2023. As at 31 December 2019, BD 9.7 million of the outstanding amount was classified under current liabilities being due within the next 12 months;

(ii) Long term loan facility with a total available amount of BD 8.0 million (of which BD 2.7 million outstanding as of 31 December 2019) was obtained by a group company to fund the company's infrastructure and network requirements. The facility bears an interest rate of PLR – 2.2% per annum and is due to be settled by 2025. As at 31 December 2019, BD 0.8 million of the outstanding amount was classified under current liabilities being due within the next 12 months;

(iii) The overdraft facilities were obtained by a group company to support its working capital needs. The interest rates on these facilities range from 6.00% to 6.35% p.a. and the amount drawn at the balance sheet date amounted to BD 10.1 million (2018: BD 15.1 million). The undrawn overdraft limits as at 31 December 2019 amounted to BD 5.0 million (2018: BD nil);

(iv) Long term loan facility with a total available amount of BD 12.8 million (of which BD 12.6 million outstanding as of 31 December 2019) was obtained by a group company to fund the company's license fees. The facility bears an interest rate of PLR – 2.125% per annum and is due to be settled by 2024. As at 31 December 2019, all of the outstanding amount was classified under non-current liabilities being due after 12 months;

(v) 7 years' bonds maturing in May 2020 with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds 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. The Group has mandated a Group of banks to arrange and underwrite a term loan of USD 450 million to refinance these bonds, which exercise will be concluded before May 2020; and

(vi) Long term loan facility with a total available amount of BD 8.0 million (nothing withdrawn as of 31 December 2019) was obtained by a group company to fund the company's share in a joint venture. The facility bears an interest rate of PLR – 1.75% per annum and is due to be settled by 2024.

23. Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

2019	**Liabilities**		**Equity**			
	Bank overdrafts used for cash management purposes	**Other loans and borrowings**	**Share capital**	**Retained earnings and other reserves**	**NCI**	**Total**
Balance at 1 January 2019	15,139	221,641	166,320	298,928	39,632	741,660
Changes from financing cash flows						
Borrowings (net)	(5,017)	5,571	-	-	-	554
Treasury shares acquired (net)	-	-	-	(2,059)	-	(2,059)
Dividend paid	-	-	-	(45,537)	(9,410)	(54,947)
Total changes from financing cash flows	**(5,017)**	**5,571**	**-**	**(47,596)**	**(9,410)**	**(56,452)**
Effect of changes in foreign exchange rates	5	(6)	-	-	2	1
Other liability-related changes	-	361	-	-	-	361
Profit for the year	-	-	-	51,642	10,401	62,043
Other equity-related changes (net)	-	-	-	3,816	(360)	3,456
Balance at 31 December 2019	**10,127**	**227,567**	**166,320**	**306,790**	**40,265**	**751,069**

2018	Liabilities		Equity			
	Bank overdrafts used for cash management purposes	Other loans and borrowings	Share capital	Retained earnings and other reserves	NCI	Total
Balance at 1 January 2018	6,156	232,039	166,320	295,563	40,584	740,662
Changes from financing cash flows						
Borrowings (net)	8,980	(10,798)	-	-	-	(1,818)
Dividend paid	-	-	-	(41,571)	(10,938)	(52,509)
Total changes from financing cash flows	8,980	(10,798)	-	(41,571)	(10,938)	(54,327)
Effect of changes in foreign exchange rates	3	56	-	(5,059)	(3)	(5,003)
Liability-related other changes	-	344	-	-	-	344
Profit for the year	-	-	-	50,108	10,107	60,215
Other Equity-related changes (net)	-	-	-	(113)	(118)	(231)
Balance at 31 December 2018	15,139	221,641	166,320	298,928	39,632	741,660

24. Share Capital

	2019	2018
a) Authorised		
2,000 (2018: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid:		
1,663 (2018: 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 %	297,710	10,756	18
1 % up to less than 5 %	85,174	3*	5
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,280,316	3	77
	1,663,200	**10,762**	**100**

*includes Batelco Group holdings of the treasury shares

25. Statutory and General Reserve

a) Statutory reserve

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

For the year ended 31 December 2019, a transfer to statutory reserves of BD 230 was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 25 March 2020. These consolidated financial statements reflect the effect of this proposed transfer.

b) General reserve

The general reserve is distributable only upon a resolution of the shareholders at the Annual General Meeting. No transfer was made during the year 2019 by the shareholders of the Company.

26. Revenue

a) Disaggregation of revenue from contracts with customers

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

2019	Reportable segments							
	Bahrain	Jordan	Maldives	SURE Group	Total reportable segments	All other segments	Elimination	Total
Major products/ service lines								
Mobile Telecommunication Services	71,883	64,672	42,671	18,449	197,675	-	(32)	197,643
Data Communication Circuits	47,291	5,301	10,797	6,817	70,206	7,320	(1,941)	75,585
Fixed Broadband	26,829	15,335	7,548	9,824	59,536	2,434	-	61,970
Fixed Line Telecommunication Services	12,985	-	2,820	7,733	23,538	-	-	23,538
Wholesale Services	11,506	2,090	1,256	2,943	17,795	-	(99)	17,696
Others	8,321	2,639	4,807	7,966	23,733	1,657	(356)	25,034
	178,815	**90,037**	**69,899**	**53,732**	**392,483**	**11,411**	**(2,428)**	**401,466**
Timing of recognition								
Products transferred at a point in time (Equipment revenue)	19,990	4,547	3,259	4,672	32,468	1,286	-	33,754
Products and services transferred over time (Revenue from provision of network services)	158,825	85,490	66,640	49,060	360,015	10,125	(2,428)	367,712
	178,815	**90,037**	**69,899**	**53,732**	**392,483**	**11,411**	**(2,428)**	**401,466**

For a further break down of total revenue by the Group's key geographical segments, please refer to note 38.

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26 Revenue (continued)

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

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

26 Revenue (continued)

b) Contract Balances

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

	2019	2018
Trade Receivables	55,133	49,011
Contract assets	27,433	26,788
Contract liabilities	3,954	3,091

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time as the related performance obligations are fulfilled within 1 year.

c) Contract cost

During 2019, the Group capitalized incremental commission fees paid to intermediaries as a result of obtaining contracts as contract costs amounting BD 1,536 (2018: 6,177). Such capitalized commission fees are amortized when the related revenues are recognized, which amortisation amounted to BD 1,021 in 2019 (2018: 2,519).

27. Network Operating Expenses

	2019	2018
Outpayments to telecommunications operators	59,774	61,314
Cost of sales of equipment and services	51,933	57,688
Repair, maintenance & other direct cost	22,788	22,563
License fee	7,454	6,400
Operating lease rentals	6,064	12,213
	148,013	160,178

28. Other Operating Expenses

	2019	2018
Marketing, advertising and publicity	12,735	16,673
IT operations and maintenance	6,545	6,399
Professional fees	6,972	3,672
Office rentals, office utilities and office expenses	5,670	6,815
Other expenses	9,122	7,680
	41,044	41,239

29. Other (Expenses)/ Income

	2019	2018
Other non-operating income	281	2,046
Foreign exchange loss	(507)	(4)
(Loss)/ gain on disposal of assets	(168)	1,209
Other non-operating expenses	(75)	(352)
Rental income	342	463
	(127)	3,362

30. Earnings Per Share ("EPS")

	2019	2018
Profit for the year attributable to equity holders of the Company	**51,642**	50,108
Weighted average number of shares outstanding during the year (in million)	**1,657**	1,663
Basic earnings per share (Fils)	**31.2**	30.2

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

31. Dividends

The dividends paid in 2019 were BD 45.5 million (BD 27.5 Fils per share) and 2018 were BD 41.6 million (25 Fils per share). The dividends paid in 2019 include an amount of BD 29.0 million relating to the final dividend for the year ended 31 December 2018 and interim dividend (subject to AGM ratification) of BD 16.6 million for the year 2019. The total dividend in respect of the year ended 31 December 2019 of 27.5 Fils per share, amounting to BD 45.7 million (including final dividend of BD 29.1 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 25 March 2020. These consolidated financial statements do not reflect the final dividend payable.

32. Financial Instruments – Classification and Measurement

a) Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2019	**At amortised cost**	**FVOCI**	**FVTPL**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	39,746	88	39,834
Trade receivables and contract assets – net	82,566	-	-	82,566
Other receivables	47,173	-	-	47,173
Cash and bank balances	175,508	-	-	175,508
	305,247	**39,746**	**88**	**345,081**
Financial liabilities				
Trade payables	74,167	-	-	74,167
Accrued expenses, contract liabilities and other payables	65,310	-	-	65,310
Amounts due to telecommunications operators	10,308	-	-	10,308
Loans and borrowings	237,694	-	-	237,694
	387,479	**-**	**-**	**387,479**

31 December 2018	At amortised cost	FVOCI	FVTPL	Total carrying amount
Financial assets				
Other investments at fair value	-	50,996	103	51,099
Trade receivables and contract assets – net	75,799	-	-	75,799
Other receivables	41,966	-	-	41,966
Cash and bank balances	142,763	-	-	142,763
	260,528	50,996	103	311,627
Financial liabilities				
Trade payables	35,295	-	-	35,295
Accrued expenses, contract liabilities and other payables	58,141	-	-	58,141
Amounts due to telecommunications operators	10,087	-	-	10,087
Loans and borrowings	236,780	-	-	236,780
	340,303	-	-	340,303

b) Fair Value Hierarchy

The Group's financial assets and financial liabilities are measured at amortised cost except for certain investments which are carried at fair value.

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

	Fair value				
31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Financial assets at fair value through Profit and Loss (FVTPL)					
Other investments – equity securities	-	-	88	88	88
Financial assets at fair value through OCI					
Other investments – debt and equity securities	38,282	-	1,464	39,746	39,746
Financial liabilities not measured at fair value					
Loans and borrowings	178,749	-	59,517	238,266	237,694

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

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.

There were no transfers between the level 1 and level 2 during the year.

The following table shows a reconciliation from the opening balances to closing balances for Level 3 fair values for debt and equity securities:

	2019	2018
Balance at 1 January	13,326	104
(Disposals)/ additions, net	(11,759)	13,223
Loss included in other expenses	(15)	-
Effect of movement in exchange rates	-	(1)
Balance at 31 December	**1,552**	13,326

33. Financial instruments - Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

a) Risk management framework

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.

b) Credit risk

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

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

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

The Group establishes an allowance for impairment that represents its estimate of life time expected losses in respect of trade receivables and contract assets. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets aggregated based on customer segment and days past due. For receivables from telecom operators and government accounts in the customer segment, the net position after considering payables is assessed based on a variety of data that are determined to be predictive of the risk of loss (including external credit ratings, financial statements and available external information) and applying experienced credit judgement. For receivables and contract assets from customers, accounts are segmented by type of exposure such as consumer, enterprise, and others accounts and collective life-time ECL allowance is determined based on historical flow rates, data on payment statistics, actual credit loss experience and management estimates of recoveries based on current status of negotiations and settlement with the customers. The historic loss experience is adjusted to reflect differences between economic conditions during the period over which historic data has been collected, current conditions and the Group's view of economic conditions over the remaining life-time of the receivables. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables and contract assets (refer to note 17).

(ii) Other receivables
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 and has been fully impaired.

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

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

33 Financial instruments - Financial Risk Management (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:

	2019	2018
Trade receivables – customer accounts	39,659	34,449
Contract assets – customer accounts	27,433	26,788
Total trade receivables and contract assets – customer accounts	**67,092**	61,237
Trade receivables – telecom operators	15,474	14,562
Other receivables	47,173	41,966
Other investments (debt securities)	34,471	46,801
Cash at bank	175,508	142,344
	339,718	306,910

	2019		2018	
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)	7,435	(128)	7,495	(289)
Medium risk (B- to BB+)	7,179	(2,116)	7,712	(1,795)
Higher risk (below C)	453	(55)	389	(93)
Unrated	2,710	(4)	1,150	(7)
	17,777	**(2,303)**	16,746	(2,184)

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

	2019			2018		
	Collective life-time ECL,	**Specific life-time ECL, credit impaired**	**Total**	Collective life-time ECL,	Specific life-time ECL, credit impaired	Total
At 1 January	2,451	22,674	25,125	2,209	22,972	25,181
Written off during the year	-	(8,038)	(8,038)	-	(1,091)	(1,091)
Impairment loss recognised during the year	(521)	4,667	4,146	246	5,065	5,311
Provision related to held-for-sale asset	-	-	-	(14)	(4,380)	(4,394)
Effect of movements in exchange rates	(1)	(13)	(14)	10	108	118
Balance at 31 December	**1,929**	**19,290**	**21,219**	2,451	22,674	25,125

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.

(v) Customer accounts including contract assets

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

Operating segment	2019	2018
Bahrain	41,611	38,814
Jordan	11,126	11,999
Maldives	11,632	8,592
Sure	2,672	1,760
Other countries	51	72
	67,092	61,237

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

Customer segment	2019	2018
Consumer	21,279	25,008
Enterprise	27,152	22,836
Government	10,251	7,986
Others	8,410	5,407
	67,092	61,237

Customer accounts	**2019**			2018		
	Gross exposure	**Life-time ECL**	**Credit Impaired**	Gross exposure	Life-time ECL	Credit Impaired
Current (0 – 30 days)	42,037	(364)	No	39,626	(356)	No
31 – 90 days	14,657	(1,390)	No	13,809	(1,420)	No
91 – 365 days	14,727	(5,568)	Yes	11,685	(5,758)	Yes
More than 1 year	14,587	(11,594)	Yes	19,058	(15,407)	Yes
Balance as at 31 December	**86,008**	**(18,916)**		**84,178**	**(22,941)**	

Consumer, enterprise and other receivables balances that are past due for more than 90 days are considered to be in default and credit impaired.

33 Financial instruments - Financial Risk Management (continued)

(vi) Amounts due from telecom operators including contract assets

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

Telecom operators	2019	2018
International operators	8,909	8,888
Local operators	6,565	5,674
	15,474	14,562

c) 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 2019	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	74,167	74,167	74,167	-	-
Accrued expenses, contract liabilities and other payables	65,310	65,310	65,310	-	-
Amount due to telecommunications operators	10,308	10,308	10,308	-	-
Loans and borrowings	237,694	241,605	202,751	14,494	24,360
	387,479	**391,390**	**352,536**	**14,494**	**24,360**

Non-derivative financial liabilities at 31 December 2018	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	35,295	35,295	35,295	-	-
Accrued expenses, contract liabilities and other payables	58,141	58,141	58,141	-	-
Amount due to telecommunications operators	10,087	10,087	10,087	-	-
Loans and borrowings	236,780	247,368	32,456	190,565	24,347
	340,303	350,891	135,979	190,565	24,347

d) 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 entities are exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Bahraini Dinar, Jordanian Dinar, Maldivian Rufiyaa (which are pegged to the US Dollar), Kuwaiti Dinar and British Pounds. The Group's exposures to currency risk is limited as the majority of its investments, due to and from international operators are denominated in US Dollar or denominated in currencies which are pegged to US Dollar. The net exposure to other foreign currencies is not significant.

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 2019 was 4.36%(2018: 3.57%).

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

	2019	2018
Fixed rate instruments		
Financial assets	49,127	50,426
Financial liabilities	187,673	177,817
Variable rate instruments		
Financial assets	132,841	115,632
Financial liabilities	59,516	58,963

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.

33 Financial instruments - Financial Risk Management (continued)

Cash flow sensitivity analysis for variable rate instrument
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 733 (2018: BD 567). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other price risk
The primary goal of the Group's investment strategy is to ensure risk free returns and invest surplus fund available with the Group in risk free securities. Market price risk arises from investments held by the Group. 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.

e) 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.

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing borrowings in the current period.

34. Commitments and Contingencies

a) Capital commitments

The Group has capital commitments at 31 December 2019 amounting to BD 17.7 million (2018: BD 31.6million).

b) Contingent liabilities

The Group is involved in certain matters relating to notifications from regulatory authorities and government tax departments of claims and other notices amounting to BD Nil million (2018: BD 1.5 million). The Group is of the view that there are no legitimate legal grounds for such claims and notices, and all necessary legal steps to respond to and defend its position are being taken.

c) Guarantees

(i) As at 31 December 2019, the Group's banks have issued guarantees, amounting to BD 15.0 million (2018: BD 12.3 million) and letters of credit amounting to BD 10.0 million (2018: 14.6 million).

(ii) The Company has furnished a comfort letter for BD 1.9 million (2018: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

(iii) The Group has furnished guarantees amounting to BD 1.5 million (Dec 2018: BD 2.2 million) to a bank for extending credit facilities to an investee company in the Kingdom of Saudi Arabia.

d) 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% (2018: 75 %) of the loan interest. At 31 December 2019, the Company has an outstanding guarantee of BD 0.3 million (2018: BD 0.7 million) towards housing loans to staff.

35. 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:

	2019		2018	
Entity **NCI Share**	**QualityNet** **10%**	**Dhiraagu** **48%**	QualityNet 10%	Dhiraagu 48 %
Non-current assets (excluding goodwill)	-	81,250	2,190	77,985
Current assets	-	30,182	24,624	24,119
Non-current liabilities	-	(12,329)	(17,263)	(16,089)
Current liabilities	-	(18,307)	(2,368)	(7,904)
Net assets	-	80,796	**7,183**	**78,111**
Carrying amount of NCI	-	38,782	718	37,493
Revenue		69,900	26,152	67,540
Profit & total comprehensive income	**539**	**21,435**	**3,137**	**20,605**
Profit allocated to NCI	54	10,289	314	9,890
Cash from/(used in) operating activities	7,353	30,225	(3,290)	28,576
Cash (used in)/ from investing activities	(396)	(5,881)	5,044	(12,412)
Cash used in financing activities, before dividends to NCI	(3,933)	(11,677)	(3,652)	(12,277)
Cash used in financing activities - cash dividends to NCI	(410)	(8,999)	(406)	(10,533)
Net decrease in cash and cash equivalents	**2,614**	**3,668**	(2,304)	(6,646)

36. 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:

	2019	2018
Short-term employee benefits	1,999	2,335
Post-employment benefits	42	49
Total key management personnel compensation	2,041	2,384

	2019	2018
Post-employment benefits outstanding	124	291
Directors remuneration (including sitting fees)	557	595

Transactions with related parties where independent directors have an interest have been disclosed in Corporate governance report.

36 Transactions with Related Parties (continued)

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

	2019	2018
Total number of shares held by Directors	96,360	317,112
As a percentage of the total number of shares issued	0.01%	0.02%

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

	2019	2018
Total number of shares held by executive management	219,450	219,450
As a percentage of the total number of shares issued	0.01%	0.01%

37. Comparatives

Except for impact of adoption of IFRS 16 (refer Note 6(c)) 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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38. Segment Information

Operating segments

The Group's operations are segregated between Bahrain, Jordan, Maldives, Sure Group and Others. Others include Yemen, QualityNet (until 6th May 2019, refer note 19) and other group operations. Segment information disclosed for the year ended is as follows:

	Year ended 31 December 2019						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter-segment elimination**	**Total**
Revenue (external customers)	178,688	89,595	69,900	53,731	9,552	-	401,466
Inter segment revenues	128	441	-	-	1,859	(2,428)	-
Depreciation, amortization and tangible assets impairment	21,967	22,387	10,472	10,840	555	-	66,221
Finance income	7,934	4	122	102	27	(556)	7,633
Finance expenses	9,015	5,623	953	286	78	(530)	15,425
Other income (net)	2055	144	47	(82)	139	(2,430)	(127)
Gain on sale of investment in Subsidiary	28,421	-	-	-	-	-	28,421
Impairment of investment in associate	-	-	-	-	(25,381)	-	(25,381)
Share of loss from associate (net)	(94)	(260)	-	-	(2,479)	-	(2,833)
Income tax expense	-	(752)	(3,996)	(941)	(8)	-	(5,697)
Profit for the year	**60,098**	**1,560**	**21,435**	**6,327**	**(27,307)**	**(70)**	**62,043**

	Year ended 31 December 2018						
Segment revenue & profit	Bahrain	Jordan	Maldives	Sure Group	Others	Inter-segment elimination	Total
Revenue (external customers)	169,509	93,309	67,540	55,269	20,226	-	405,853
Inter segment revenues	286	347	-	-	5,927	(6,560)	-
Depreciation, amortization and tangible assets impairment	(23,244)	(21,397)	(9,548)	(14,830)	(1,078)	-	(70,097)
Finance income	6,210	9	181	63	74	(523)	6,014
Finance expenses	(8,571)	(3,948)	(1,169)	-	-	530	(13,158)
Other income (net)	3,495	127	38	80	1,068	(1,446)	3,362
Gain on sale of investment in Subsidiary	-	-	-	-	-	-	-
Impairment of investment in associate							
Share of loss from associate (net)	-	-	-	-	(6,976)	-	(6,976)
Income tax expense							
Profit for the year	43,517	(2,347)	20,605	2,400	(3,920)	(40)	60,215

	As at 31 December 2019						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter segment elimination** -	**Total**
Non-current assets	185,961	267,661	103,121	99,543	6,997	(18,114)	645,169
Current assets	276,987	25,692	30,182	35,288	192	(20,637)	347,704
Total assets	**462,948**	**293,353**	**133,303**	**134,831**	**7,189**	**(38,751)**	**992,873**
Current liabilities	295,507	84,154	18,307	13,352	73	(37,404)	373,989
Non-current liabilities	8,741	76,772	12,329	16,905	-	(9,237)	105,510
Total liabilities	**304,248**	**160,926**	**30,636**	**30,257**	**73**	**(46,641)**	**479,499**

	As at 31 December 2018						
Segment assets & liabilities	Bahrain	Jordan	Maldives	Sure Group	Others	Inter segment elimination -	Total
Non-current assets	173,738	219,795	99,855	88,385	34,857	(17,854)	598,776
Current assets	229,727	26,300	24,119	29,648	26,959	(23,153)	313,600
Total assets	**403,465**	**246,095**	**123,974**	**118,033**	**61,816**	**(41,007)**	**912,376**
Current liabilities	82,785	65,320	16,089	11,162	18,661	(12,896)	181,121
Non-current liabilities	181,682	50,131	7,904	6,571	-	(19,913)	226,375
Total liabilities	**264,467**	**115,451**	**23,993**	**17,733**	**18,661**	**(32,809)**	**407,496**

39. List of properties owned and rented by the Company in Bahrain

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