Batelco

Annual Report 2019

Contents:

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His Royal Highness Prince Khalifa bin Salman Al Khalifa

The Prime Minister of the Kingdom of Bahrain

His Majesty King Hamad bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness Prince Salman bin Hamad Al Khalifa

The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain

Delivering an Exceptional Customer Experience and Enabling the Digital Economy

2019 has been a milestone year for Batelco and for the telecom sector in Bahrain, with the introduction of BNET, the Bahrain National Broadband Company, developed in line with the Kingdom of Bahrain's vision to transform the telecommunications industry and enable the future digital economy.

Following the successful introduction of the Company during 2019, Batelco worked on restructuring the workplace and redesigned its strategy to support its vision for digital growth while continuing to enhance customer experience. To embark on the journey of digital transformation, Batelco was pleased to be the first operator in Bahrain to deliver 5G technology during 2019, which came as a result of its commitment to build the foundation for the digital economy. Going forward we will keep exploring the digital space while delivering core telecom services which are crucial for all industry sectors.

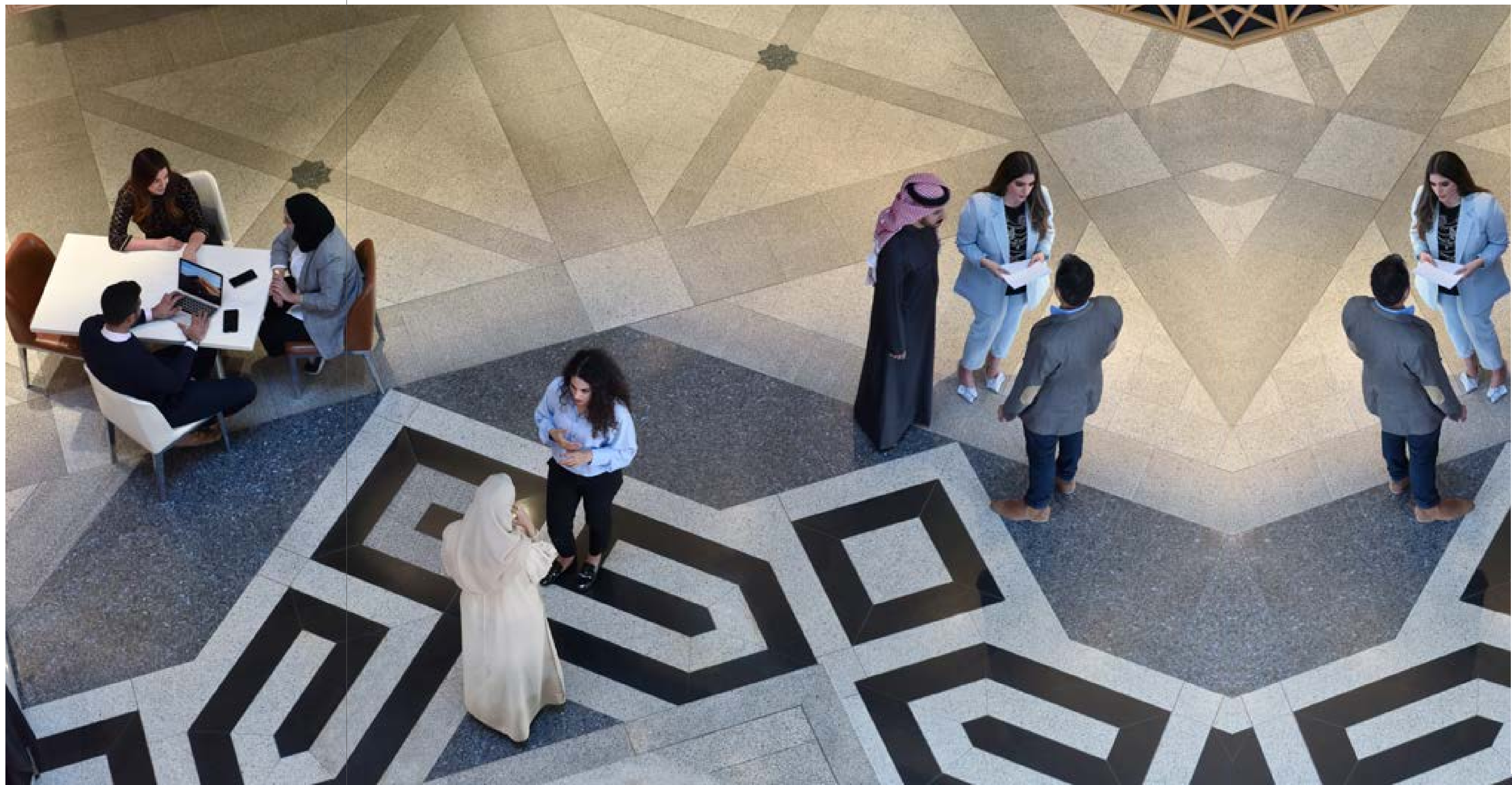
In addition, Batelco will continue revising its international investment portfolio to ensure maximizing shareholder value and support the vision for the Company's future.

Having the right structure to be able to realise the vision of the company is crucial. We have therefore invested in ensuring the right mix of skills within our teams to help us become more agile. Batelco is changing the way it works in line with best international practices, benchmarking itself against successful high tech companies with proven performance.

We are proud of our achievements during 2019, accomplished while delivering good value for our shareholders and strong financial results.

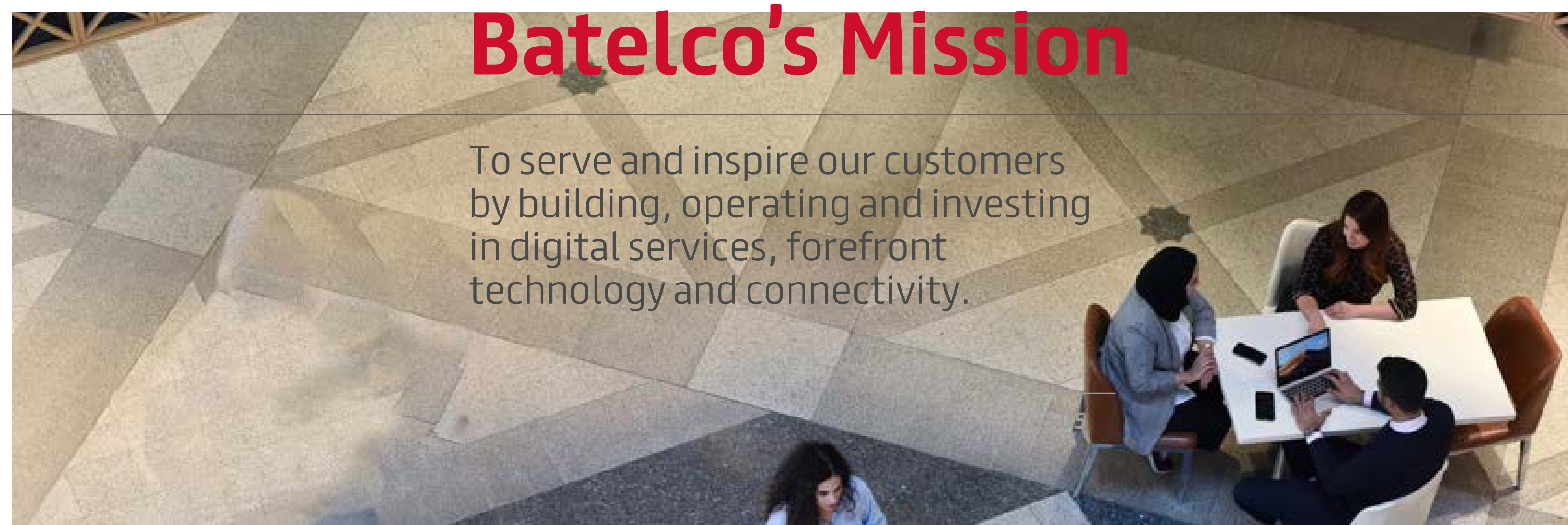
Batelco's Vision

Be a leading provider of innovative digital services and connectivity to empower people, enable businesses and enrich society.



Values – iCARE

Our values define how we work together as a team, how we serve our customers and guides our behaviour as well as decision making.



Batelco's Mission

To serve and inspire our customers by building, operating and investing in digital services, forefront technology and connectivity.

FINANCIAL HIGHLIGHTS

Annual Highlights

BATELCO ANNOUNCED A 3% INCREASE IN NET PROFIT, REACHING BD51.6M FOR THE FULL YEAR 2019, AS COMPARED TO BD50.1 MILLION IN 2018

58% of EBITDA generated from overseas operation

56% of Revenues generated from overseas operation

Operating Profit

BD75.5m

(2018: BD72.7m)

Consolidated Net Profit

BD51.6m

(2018: BD50.1m)

Gross Revenue

BD401.5m

(2018: BD405.9m)

EBITDA

BD141.7m

(2018: BD142.8 m)

Net Assets

BD513.4m

(2018: BD504.9m)

Cash & Bank Balance

BD175.5m

(2018: BD153.3m)

Earnings Per Share

31.2 fils

(2018: 30.2 fils)

EBITDA Margin

35%

(2018: 35%)

Net Profit Margin

13%

(2018: 12%)

BOARD OF DIRECTORS

WE ARE CONFIDENT WE HAVE THE RIGHT ELEMENTS IN PLACE TO DRIVE GROWTH AND MEET OUR SHAREHOLDERS' EXPECTATIONS

Shaikh Abdulla bin Khalifa Al Khalifa
Chairman

Rear Admiral Yousif Malallah AlSabt
Deputy Chairman

Mr. Arif Haider Rahimi
Director

Mr. Ahmed Ateyatalla Al Hujairy
Director

Mr. Oliver Finn McFall
Director

Mr. Raed Abdulla Fakhri
Director

Mrs. Khulood Rashid Al Qattan
Director

Mr. Jean Christophe Durand
Director

Shaikh Ali bin Khalifa Al Khalifa
Director

Mr. Khalid Hussain Taqi
Director

Profiles of the Board of Directors are on pages 41-44 Corporate Governance.

* Mr. Abdulrahman Yusuf Fakhro served as Deputy Chairman until 31 December 2018

DIGITAL EXPERIENCE

FUTURE-PROOF INFRASTRUCTURE

ENABLING A MODERN DIGITAL LIFE

Providing fast, secure, reliable connectivity to enable digital lives and meet our customers' needs for seamless communications.

DIGITAL INNOVATION

DIGITAL TRUST

13%

Growth in Data Communication

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.

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.

ABDULLA BIN KHALIFA AL KHALIFA
CHAIRMAN OF THE BOARD

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 marked 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

Consolidated Net profit

BD51.6m

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.

DIGITAL TRUST

FUTURE-PROOFINFRASTRUCTURE

DIGITAL INNOVATION

15%
Growth in Fixed Broadband

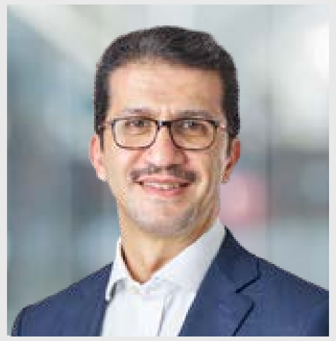
PROVIDING CONNECTIVITY THAT ADDRESSES FUTURE NEEDS

The efforts and investments we are making today will ensure the foundations of our digital services for tomorrow.

CONNECTIVITY

EXECUTIVE MANAGEMENT

Mikkel Vinter
Chief Executive Officer



Faisal Qamhiyah
Chief Financial Officer

Noora Sulaibeekh
General Counsel and Board Secretary

Faisal Al-Jalahma
Chief Human Resources Officer

WE ARE FOCUSSED ON TWO MAIN AREAS, TO STRENGTHEN OUR CORE CONNECTIVITY BUSINESS AND TO CONTINUE WITH OUR DIGITAL TRANSFORMATION JOURNEY.

Shaikh Bader Al Khalifa
General Manager Corporate Communications and CSR

Bilal Adham
Chief Marketing Officer

Christopher Hild
Chief Strategy Officer

Maha Abdulrahman
General Manager Consumer Division

Abderrahmane Mounir
General Manager Enterprise Division

Adel Al-Daylami
Chief Global Business Officer

Rashid Mohamed
General Manager Network

Achmat Cassiem
Acting General Manager IT

Buddhadeb Samanta
Head of Internal Audit

* Mohamed Bubashait served as CEO until his appointment as BNET CEO
* Dr. Shaikh Khalid Al Khalifa served as GM Cyber & Corporate Security until his appointment as BNET Chief Security Officer
* Baha Tuncer served as CFO until 5 May, 2019

* Ebrahim Al Sayed served as GM Customer Experience until 20 June, 2019
* Ebru Pilav served as General Manager Human Resources & Corporate Services until 7 January, 2019

CEO MESSAGE

During 2019, Batelco took major steps to solidify the Company's position as the foremost telecommunications company in Bahrain.

With the vision to be a leading provider of innovative digital services and connectivity, Batelco is focussed on two main areas, to strengthen our core connectivity business and to continue with our digital transformation journey.

"DELIVERING THE LATEST AND MOST RELEVANT IN DIGITAL TECHNOLOGY FOR OUR CUSTOMERS IS A CRUCIAL PART OF OUR CORPORATE DIGITAL STRATEGY. WE REMAIN COMMITTED TO SUPPORTING THE TELECOM SECTOR IN LINE WITH THE KINGDOM OF BAHRAIN'S VISION FOR THE DIGITAL ECONOMY.

MIKKEL VINTER
CHIEF EXECUTIVE OFFICER

Business Overview

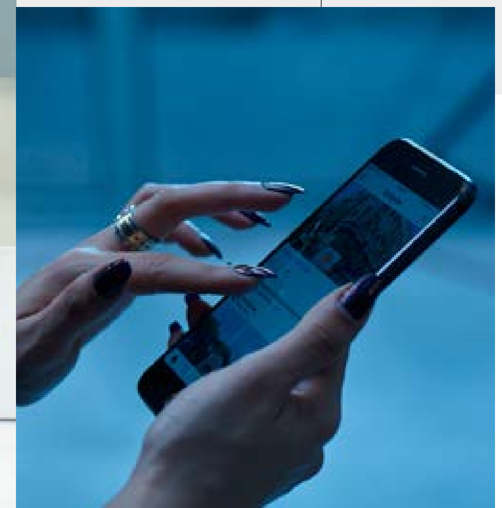
Among key achievements during 2019, we were delighted to be the first operator to commercially launch 5G network services for the Kingdom of Bahrain, an important step in enabling the growth of the digital economy. During 2020 we plan to further increase the areas of 5G coverage, which supports our efforts to provide best in class services and exceptional customer experience.

In another first, Batelco was proud to be the first and only telecommunications operator in Bahrain to introduce the latest Apple Watch Series 5 Cellular.

Developing world class Data Centre facilities continues to be high on our agenda, and during 2019, Batelco's RJR Data Centre was launched with a second Data Centre to be launched soon near Batelco's Headquarters. The introduction of these Data Centres is in line with Batelco's commitment to support Bahrain's telecommunications sector and the growth of the digital economy.

As part of our comprehensive plans to develop local and international infrastructure in early 2019, Batelco launched Global Zone, a carrier neutral digital business platform based on a highly secured Tier III Data Centre. Global Zone has been designed to attract leading players in the ICT industry, by providing an opportunity to meet and exchange data.

> **WE HAVE AMBITIOUS PLANS FOR 2020, TO TRANSFORM BATELCO FOR THE DIGITAL AGE. WE WILL BE INVESTING IN ADJACENT BUSINESSES IN BAHRAIN AND THE MEA REGION, FOCUSING ON SPECIFIC CLUSTERS OF FINTECH, B2B SOLUTIONS, E-GOVERNMENT AND E-COMMERCE.**



Keeping the Community in Mind

Alongside our business objectives, the role Batelco plays in the community continues to be very important, with our CSR initiatives designed to have a positive impact for all inhabitants of Bahrain. We continue to enhance this area with the aim of establishing and strengthening partnerships with other entities in order to play a more beneficial role in the community.

Our People

During 2019, Batelco top management team placed great emphasis on our corporate culture and values that help support Batelco's V2.0 vision moving forward. This is not solely about financial performance, but also about developing the employees and a customer experience that truly sets Batelco apart from its competitors. Our engagement survey result scores for 2019 have increased in comparison to our 2018 scores, and our aim is to continue people initiatives for 2020 that will support Batelco's vision and mission.

During this past year, the support of management and staff has been invaluable and I would like to offer my appreciation to the entire team for their dedicated efforts. I also offer my thanks to our Chairman Shaikh Abdulla bin Khalifa Al Khalifa and the Board of Directors for their ongoing support which has allowed us to push forward with confidence.

Our customers are central to everything we do, and we value their loyalty and truly care about their satisfaction. On behalf of all Batelco employees, I extend a huge vote of thanks to all our customers and reaffirm our commitment to remain responsive to their needs.

Looking Forward

We have ambitious plans for 2020, to transform Batelco for the digital age. We will be investing in adjacent businesses in Bahrain and the MEA region, focusing on specific clusters of FinTech, B2B solutions, e-government and e-commerce.

Delivering the latest and most relevant in digital technology for our customers is a crucial part of our corporate strategy and we remain committed to supporting the Kingdom of Bahrain's vision for the future digital economy.

Mikkel Vinter
Chief Executive Officer

INTERNATIONAL INVESTMENTS CEO MESSAGE

2019 was a good year with strong performances across Batelco's International Investments portfolio, supported by efforts in key focus areas including customer centricity, digital transformation and cost optimisation for value creation.

Throughout our international operations, we continued to build and enhance our networks for Fixed Broadband, Mobile Broadband, Fixed LTE and Fibre to the Home (FTTH). We also introduced 5G across a number of our subsidiaries including the Channel Islands (SURE) and the Maldives (Dhiraagu).

We are very pleased with our achievements across our international operations with a number of operations delivering strong revenue growth and improved operational performance. For the full year 2019, 56% of Revenues and 58% of EBITDA were attributable to operations outside of Bahrain, compared with 59% of Revenues and 51% of EBITDA in 2018.

GOING FORWARD, WE WILL CONTINUE TO ASSESS OUR STRATEGIC INVESTMENTS IN OUR INTERNATIONAL PORTFOLIO AND EXPLORE ALL OPPORTUNITIES.

IHAB HINNAWI
CHIEF EXECUTIVE OFFICER

International Investments Overview

In the Maldives, Dhiraagu was first to launch 5G commercial services, giving the Company the added accolade of being first to deliver 5G in South Asia. Additionally, Dhiraagu achieved a significant milestone for its Fibre Broadband services, with the Company's FTTH network now reaching 58 islands and 75% of homes, ensuring it remains the largest fibre network in the country.

Umniah in Jordan spearheaded digital transformation across three key areas, Digital leadership and culture, partnering with selected digital service providers and digitising all customer touch points. Transformation in digital leadership and culture is supported through the implementation of new agile methods within the organization, along with strong adherence to "lean" principles. Partnering with selected digital service providers will allow Umniah to drive opportunities in Fintech, digital and enterprise while supporting the digitisation of all customer touch points will support the development of a full digital customer journey.

In the Channel Island and Isle of Man (CIIM) markets, SURE is the only operator that launched 5G trials, which is in line with the company's efforts to give its enterprise customers the edge over their competitors. SURE's efforts for the Enterprise sector has resulted in 6% revenue growth boosted by strong sales driven by Cloud services and Leased Lines.

In May 2019, the sale of Qualitynet, Batelco's 90% shareholding in Kuwait was completed, in line with strategic objectives developed to create the best value for Batelco's shareholders. The sale came at the right time allowing Batelco to focus on redeployment of funds to a number of areas that will benefit the shareholders in the mid to long term.

Looking Forward

The dedication and efforts of management and staff across all our international operations led to excellent achievements during 2019, and I would like to take this opportunity to extend appreciation to all teams for their support. I also offer appreciation to all our customers throughout our widespread geographic locations for their continuous loyalty and trust in the products and services delivered by our Joint Venture operators.

We will continue to rollout our transformation strategy during 2020, prioritising the advancement of 5G, digitisation and evolving our adjacent services. Furthermore, going forward, we will continue to assess our strategic investments in our international portfolio and explore all opportunities with a view to strengthening our portfolio and capabilities.

Ihab Hinnawi
International Investments CEO

BNET CEO MESSAGE

The birth of BNET marks a new era in the telecommunications sector for the Kingdom of Bahrain and comes as a result of the 4th National Telecommunications Plan to prepare Bahrain for a digital future with first class infrastructure and an energetic digital services sector.

Bahrain continues to be a pioneer in taking this step which is in line with the same model that has been adopted by leading telecommunications companies around the world.

WE LOOK FORWARD TO DEVELOPING BNET AS A STRONG AND REPUTABLE COMPANY, AND AS AN IMPORTANT ENTITY IN THE GROWTH OF THE NATIONAL DIGITAL COMMUNICATION INFRASTRUCTURE IN SUPPORT OF THE KINGDOM'S ECONOMY.

MOHAMED BUBASHAIT
CHIEF EXECUTIVE OFFICER, BNET

From the start our vision has been to create a technologically advanced digital communication infrastructure that enables a safe, secure and smart Kingdom contributing to economic growth and consumer welfare. To achieve our aims, we have put solid plans in place which include the development of the national broadband network and national cybersecurity, while remaining focussed on delivering exceptional customer experience with reliable and consistent service delivery.

We are very pleased with our achievements over the early months of operation with advances made in extending fibre optic coverage and the delivery of services for licensed communication providers in Bahrain.

Going forward, we will continue to work on enhancing the national broadband connectivity, enabling the provisioning of quality services to all operators, in order to positively impact the end user through the availability of high speed, affordable internet.

Appreciation for Support

The creation of BNET would not have been possible without the support of H.E. Engineer Kamal bin Ahmed Mohamed, the Minister of Transportation and Telecommunications; accordingly, on behalf of the BNET team I extend much appreciation to him and his team.

I also offer appreciation to our Chairman Shaikh Abdulla bin Khalifa Al Khalifa and our Board of Directors for their guidance and all those who have played an instrumental role in helping to set up strong foundations and teams for BNET.

We look forward to developing BNET as a strong and reputable company, and as an important entity in the growth of the national digital communication infrastructure in support of the Kingdom's economy.

Mohamed Bubashait
Chief Executive Officer, BNET

RESPONSIVE

FUTURE-PROOFINFRASTRUCTURE

BEING INNOVATIVE AND RESPONSIVE

We listen to our customers and aim to offer them an exceptional experience across our channels through delivering innovative solutions.

DIGITAL INNOVATION

DIGITAL TRUST

3%
Growth in Mobile Services

SUBSIDIARIES AND AFFILIATES

JORDAN
UMNIAH

Ziad Shatara
Chief Executive Officer

In 2019 Umniah spearheaded digital transformation in Jordan by signing a landmark agreement with the Jordan Electric Power Company (JEPCO) to establish a new company, Jordan Advanced Fiber Company (FiberTech), which will install the infrastructure for a large-scale fiber optic network in the areas serviced by JEPCO.

Umniah, a 96% subsidiary of Batelco has established a strong presence in the Jordanian telecommunications market offering high quality mobile, internet and enterprise solutions. The Company continues to drive innovation and digital transformation offering its customers a comprehensive suite of products and solutions.

In 2019 Umniah spearheaded digital transformation in Jordan by signing a landmark agreement with the Jordan Electric Power Company (JEPCO) to establish a new company, Jordan Advanced Fiber Company (FiberTech), which will install the infrastructure for a large-scale fiber optic network in the areas serviced by JEPCO. The new infrastructure will provide reliable, high-speed internet for over 1.3 million homes, businesses and facilities in Jordan.

As part of a major network expansion plan, Umniah grew its fiber network to reach an additional 100,000 homes in Jordan. The Company announced the launch of Voice over LTE (VoLTE) for voice and video calls, allowing subscribers to make high-definition, high-speed and uninterrupted calls over the 4G network for the first time in Jordan. The network expansion plan is expected to reflect positively on the future national economy and benefit both digital transformation and e-government projects.

During the year Umniah continued to support the education sector in Jordan with the second phase of the School's Connectivity project, launched in collaboration with the Ministry of Education and the Jordanian Armed Forces, represented by the Special Communications Commission. The project adds an additional 800 schools to the original 2,764 schools linked during the first phase, providing them with integrated internet and communication services.

In recognition of its commitment to delivering outstanding customer experience, Umniah won the Silver award for the Customer Complaints category at the International Customer Experience Awards 2019 ceremony held in Amsterdam, Netherlands. Umniah was also named the fastest growing telecommunications company in Jordan at the 2019 International Business Magazine Awards.

Moving into 2020, Umniah will continue to build on its achievements by maintaining its unwavering commitment to digital transformation, innovation and cutting-edge technologies that cater to the ever-changing needs of its customers. Umniah will continue to expand the reach and quality of its network, provide unparalleled products and services and leverage its infrastructure to accelerate the digitization of Jordan's various economic sectors.

MALDIVES
DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)

Ismail Rasheed
Chief Executive Officer &
Managing Director

In 2019, Dhiraagu was the first to launch 5G commercial services in the Maldives and South Asia. Dhiraagu also provided an unparalleled broadband experience by extending the FTTH network to communities in 58 islands across the country that reached 75% coverage of national households, making it by far the largest and fastest fibre network in the country.

Dhivehi Raajjeyge Gulhun PLC (Dhiraagu), incorporated in the Maldives in 1988 and listed on the Maldives Stock Exchange, is the leading digital services and telecommunications provider in the Maldives. The company offers a comprehensive range of mobile, internet, data and fixed line, TV and other services throughout the country. Batelco acquired 52% shareholding of the company in 2013. With the best broadband coverage and the strongest presence across the Maldives, Dhiraagu has nine strategically located operation centers and the largest distribution and retail network.

In 2019, Dhiraagu was the first to launch 5G commercial services in the Maldives and South Asia. Dhiraagu also provided an unparalleled broadband experience by extending the FTTH network to communities in 58 islands across the country that reached 75% coverage of national households, making it by far the largest and fastest fibre network in the country. Dhiraagu IPTV services were extended to 74% of national households and Dhiraagu TV is now offered in 52 islands. The first Gigabit speed internet of up to 1Gbps was introduced in 10 islands providing the fastest broadband connection to residential and business customers.

Dhiraagu is signatory to the United Nations Global Compact (UNGC) and is committed to the UNGC's universal principals in the areas of human rights, labour, the environment and anti-corruption. The Company's CSR initiatives during the year supported the United Nations Sustainable Development Goads on good health and wellbeing, gender equality, decent work and economic growth, industry, innovation and infrastructure, climate action and life below water.

SUBSIDIARIES AND AFFILIATES

CIIM AND SADG
SURE GROUP

Ian Kelly
Chief Executive Officer

During 2019 Sure Group completed a major IT transformation programme with the upgrade of its billing, CRM and business intelligence platforms culminating in the launch of new self-service applications and websites to further enhance Sure's market leading customer experience.

The Sure Group comprises of a number of geographically diverse operations which are wholly owned subsidiaries of Batelco, acquired in 2013. Head quartered in Guernsey, the Group provides telecommunications and related services across the Channel Islands, the Isle of Man and in the British Overseas Territories of the islands of Ascension, Falklands, Saint Helena and Diego Garcia.

In Guernsey, Sure is the leading full service operator with market-leading positions in fixed voice, mobile, broadband and Cloud services and the prime competitor in both Jersey and Isle of Man. In the British Overseas Territories, Sure operates under exclusive licenses with full feature networks delivering voice, broadband data services and in certain markets, TV.

2019 was a strong year for Sure across the Group with accelerating revenue growth in the Enterprise segment, stronger underlying growth in the Consumer segment and a resilient performance in the South Atlantic despite a challenging macro-economic situation.

During 2019 Sure Group completed a major IT transformation programme with the upgrade of its billing, CRM and business intelligence platforms culminating in the launch of a new self-service applications and websites to further enhance Sure's market leading customer experience.

Sure's customers continued to enjoy the benefit of the best and fastest networks in the Channel Islands and Isle of Man and Sure was the first operator in all three locations to launch a full 5G trial to hundreds of customers. Sure's commitment and substantial ongoing investment in networks continued with the commencement of a major upgrade to the subsea cable capacity to underpin increasing data usage and the already superior resiliency of Sure's core telecoms network for Enterprise customers.

Sure has expanded on its cybersecurity and cloud propositions to offer fully managed bespoke private platforms for customers in the finance and crypto currency verticals. These solution developments have led to growth in revenues from Enterprise customers with the combination of superior customer experience.

In partnership with the Falkland Islands Government, Sure has executed an upgrade to residential broadband with a doubling of backhaul capacity enabling an improved customer experience. In Diego Garcia Sure launched 4G services ahead of its new license obligations, which has seen strong demand from its customer base.

YEMEN
SABAFON

Sabafon, in which Batelco has a minority shareholding of 26.94%, is a GSM operator in Yemen offering national coverage across the country. The company started its operations in 2001 with the vision to establish a strong, dynamic and flexible organization to serve and benefit the people of Yemen with the latest GSM technology and services.

Sabafon has been operating in a challenging environment due to the existing political instability. This instability along with expensive energy prices and the deteriorating Yemeni Riyal has increased the economic impact. Accordingly, Batelco took an impairment provision of BD25.4 million on Sabafon's carrying value in Q2 2019.

Nonetheless, Batelco continues to believe that Sabafon has solid business fundamentals and will be in a leading position to seize opportunities once the geopolitical position improves. In the meantime, Batelco will continue to closely monitor the situation in Yemen.

SAUDI ARABIA
ETIHAD ATHEEB TELECOM

Etihad Atheeb Telecommunications Company (Atheeb) was established in 2008 and is a publicly listed company in the Kingdom of Saudi Arabia, in which Batelco holds a 15% stake.

The company operates under the "GO" brand and has a broad portfolio of products and services for both business and retail customers including but not limited to VOIP communication solutions, high-speed data services, wireless broadband internet, fixed line telephony, hosting cloud solutions and enterprise connectivity services.

From 2017 to 2019 Atheeb decreased its share capital from SAR 1.6 billion to SAR 350.5 million to restructure its capital and write off accumulated losses.

EGYPT
BATELCO EGYPT COMMUNICATIONS (S.A.E.)

Batelco Egypt is wholly owned by Batelco. The company was established in 2003 with a focus on providing end-to-end worldwide data communication solutions to corporates, multinational customers and global telecommunication providers.

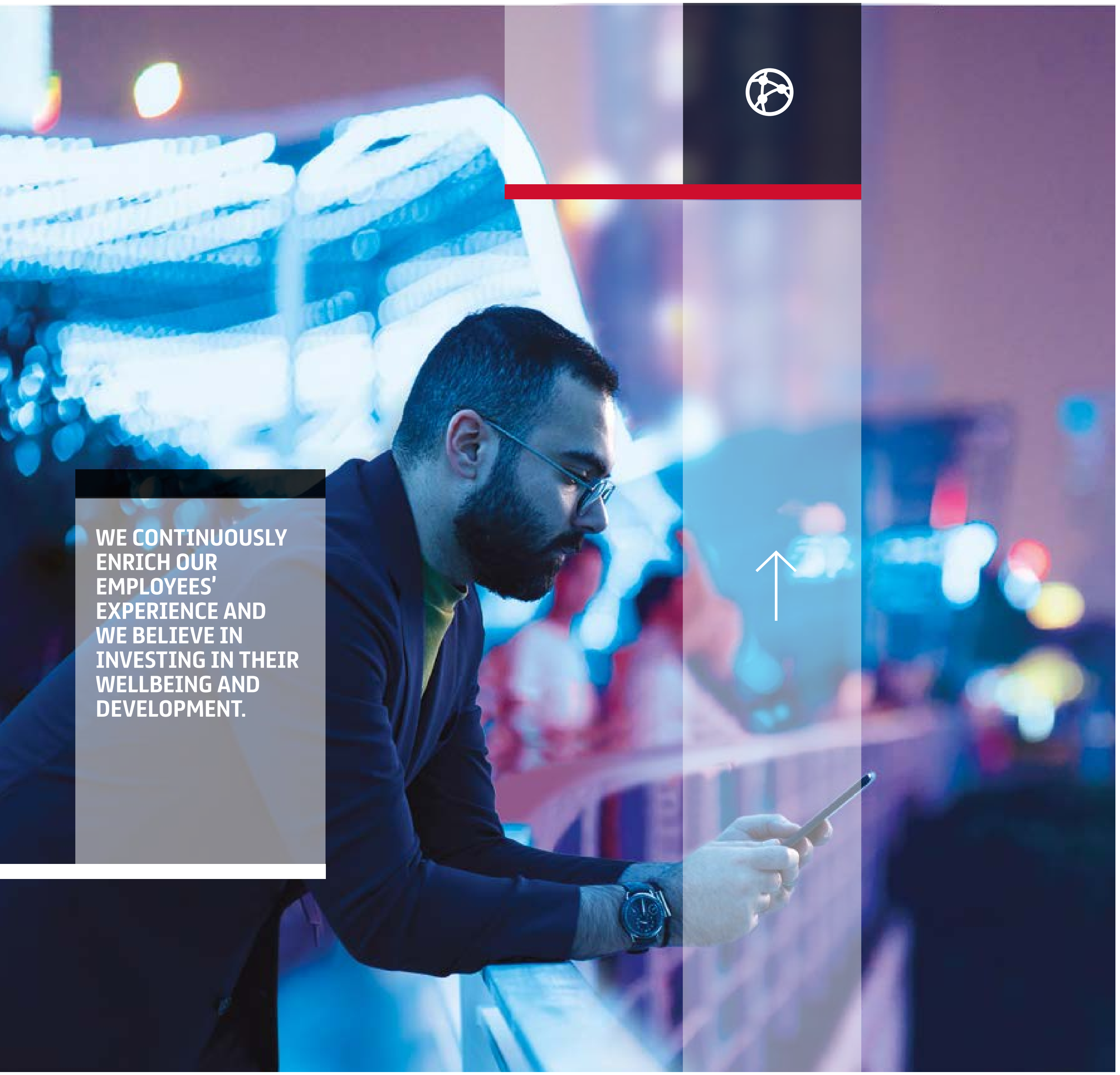
Over recent years Batelco's global connectivity to Egypt has been upgraded significantly to accommodate the increasing demand to and from Egypt, allowing Batelco to secure several global contracts. Through partnerships and alliances with other leading providers Batelco is gaining strength in Egypt's enterprise sector among local and multinational companies.

Batelco Egypt is contributing towards Batelco's strategy of building a cloud centric platform by introducing relevant services and enhancing its infrastructure. Such initiatives are serving to broaden the company's portfolio, boost its competitiveness and enrich its service offerings in and out of Egypt.

KUWAIT
QUALITY NET

Qualitynet was established in 1998 and Batelco acquired 44% of the company in 1999, subsequently increasing its shareholding to 90% in 2014. In May 2019, Batelco announced that it had completed the sale of its 90% shareholding in QualityNet to Kuwait Telecommunications Company ("VIVA") in accordance with the signed Share Purchase Agreement ("SPA") dated 9th April 2019.

The full transfer of shares was completed with the fulfillment of the terms, conditions and covenants that were agreed between the parties in the SPA with the total transaction value of Kuwaiti Dinars 26.5M (BD32.0M), for the 90% shareholding. Accordingly, Batelco recognized a one-off gain of BD28.4M in 2019.



Our Team Members- Fostering a new mindset and corporate culture

Our team members and Batelco's corporate culture are crucial to our Company's performance and an important part in developing our services, products and technological solutions, while ensuring continuity and future success.

Our Human Resources team are actively supporting employees in their professional careers and are equally invested in creating a healthy work-life balance. As a company, our goal is to ensure that we continuously enrich our employees' experience and we believe in investing in their wellbeing and development.

We thereby create tangible value propositions that benefit both the employees and the Company.

Batelco's Human Resources strategy operates on three main pillars:

01 Engaging Our People

We introduced engagement surveys to transform the way we gauge our employees' commitment and emotional connection with the organisation with a view to enrich their overall experience.

Employees are kept informed through transparent communications, including direct messages from the CEO delivered at regular Town Hall meetings held for all employees.

02 Investing in Leadership

Batelco heavily invests in training programmes to further develop employees, especially in the areas of leadership and digital skills. As part of our commitment to empower executives and enable them to reach their potential and become visionary leaders, the Company invested in executive education programmes with renowned international institutes including Havard Business School and London Business School.

41
Average training hours per employees

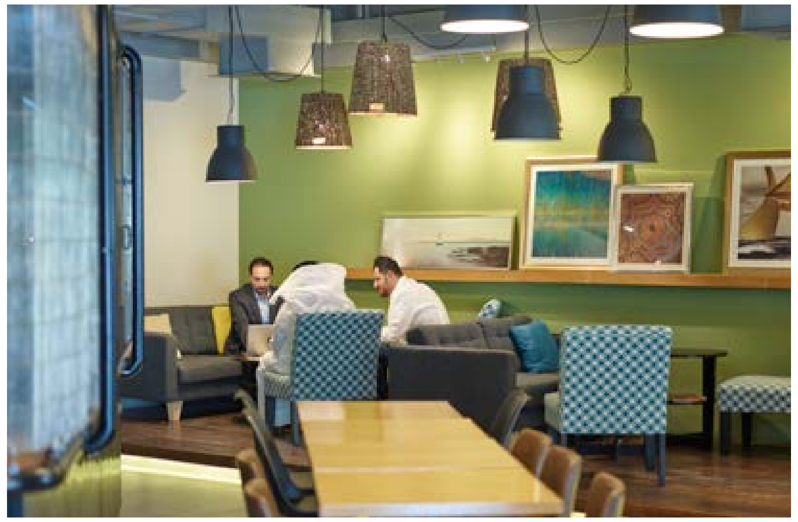
50,667
Training hours completed by Employees

03 Enriching Work Life

We began the journey of transforming the campus to modernize it and create work and leisure spaces to support a better work-life balance, leading to increased productivity and employee satisfaction.

Flexi working hours introduced to cater to employee needs and add more convenience.

We invested in improved facilities including new coffee shops and dining outlets.



OUR CULTURE

Our culture is defined by our values which guide us in our daily work conduct and ensure that our energy and efforts are unified in the desired manner to deliver our strategic initiatives and work toward our shared vision. Being an employer of choice is a strategic objective in Batelco, and this can only be realized by creating the right work culture that attracts innovative and inspiring talents.

We recognize the importance of work culture in driving a successful business. We therefore invested heavily in creating a dedicated People and Culture department, led by specialized teams to ensure we deliver relevant and beneficial initiatives.

We boosted our employees' experience by engaging with them in the decision making process for any developments relating to their work life, which resulted in positive engagement results for internal surveys and also served to enhance customer experience, as indicated by improvements in our net promoter scores for 2019 over 2018.

Staff Retention Rate
89.9%

LIFE BEYOND EMPLOYMENT

Batelco invested in a unique voluntary early retirement programme titled Life Beyond Employment (LBE) to benefit employees who have served the company for many years with LBE staff remaining part of the Batelco Family.

#134
Staff who left on LBE

DEVELOPING SKILLS FOR SUCCESSFUL CAREERS

We believe in investing in our Kingdom's youth and take an active role in developing our future leaders. The Learning and Development team under Human Resources, has collaborated with various prestigious academic organizations in 2019 and invested in several programmes aimed at developing the skills and knowledge of the younger generation.

Industrial Training:
We support the youth through practical training/internship opportunities offered to graduating students from local and overseas universities/institutes to fulfil their academic requirements and benefit them through work experience.

Batelco Juniors:
A programme designed to prepare the next generation for the future by developing young talents through hands-on learning and addressing topics that support a modern academic curriculum:

- Our Families – enhance family values
- Smart Investor – Financial Literacy
- Design Thinking and Creativity

Injaz:
Injaz Batelco employees regularly volunteer to support Injaz programmes by delivering educational sessions aimed at empowering the youth for future progression.

Graduate Trainees Programme:
Batelco's development programme for graduates offers blended learning initiatives to equip them with in-demand employability skills and the technical training needed to enter the telecom industry. The training programme are delivered through affiliations with international institutes such as Insead, Columbia University, Franklin Covey Institute amongst others.

67
students

40
Employees Children

Number of volunteers
73

Contents

Corporate Governance in BATELCO

As a Bahrain-based Company, BATELCO is subject to the Corporate Governance standards of Bahrain Commercial Companies Law; and in line with the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT). BATELCO aspires to the highest standards of ethical conduct based on sound Corporate Governance; in accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, BATELCO has put in place a comprehensive Corporate Governance framework to maximize operational efficiency and protect shareholders' rights. BATELCO regards the guiding principles of its Corporate Governance Framework to be fairness, transparency, accountability and responsibility, and is committed to complying with the ten principles of the Corporate Governance Code 2018. The Board of Directors undertook measures and ensured that for the year ended 31 December 2019, BATELCO was compliant with the provisions of the Corporate Governance Code 2018 of the Ministry of Industry, Commerce and Tourism (MOICT) (please refer to page number 51 of the report).

The Board has resolved that it shall investigate any non-compliance or deviations from its Corporate Governance Guidelines which have been established and is available on the Company's website; or can be obtained from the Corporate Governance Officer.

Corporate Governance Officer

Batelco appointed Ms. Noor Bukamal as Corporate Governance Officer in December 2018; she has an MA in Human Resource Management.

Ownership Structure

Batelco is a Public Listed Company which its share capital is owned by various Government, Organizations and the General Public from different regions. The Table below displays the details of the shareholders' equity and distribution:

#	Name	Number of Shares held	Percentage of Shares held	Type	Shareholder Classification
1	Mumtalakat Holding Company	609,840,000	36.67%	Government	Local
2	Amber Holding Company	332,640,000	20%	Organization	Foreign
3	Social Insurance Organization	337,835,705	20.31%	Government	Local
4	Public	382,884,295	23.02%	Individuals, corporate, government and organizations	Local, Gulf, Arab, and Foreign

Shareholders who hold 5% or more of the Company's share capital as at 31/12/2019

According to the Company's share register as at 31/12/2019, there is no individual that holds over 5% of the Company's share capital.

Ownership Structure by Size of Ownership

The table below shows the distribution of Ownership of Batelco shares by Size of Ownership:

Shareholding Amount	Number of Shareholders	Number of shares held	Percentage of shares held
Less than 50,000	9,992	32,615,408	1.96%
50,000 to 500,000	644	87,870,538	5.28%
500,000 to 5,000,000	116	144,195,342	8.67%
More than 5,000,000	12	1,398,518,712	84.09%
Total	10,764	1,663,200,000	100%

Directors and Senior Management trading during the year 2019

The following table provides details of shares owned by of the Directors and Executive Management during the year 2019, there were no transactions of sale and purchase recorded. For further details, kindly refer to note 36 in the Financial Statements.

#	Name	Position	Shares held at 31/12/2019	Total Sale Transaction	Total Purchase Transaction
1	Ahmed Ateyatalla AlHujairy	Director	31,470	Nil	Nil
2	Arif Haider Rahimi	Director	31,170	Nil	Nil
3	Khulood Rashid Al Qattan	Director	30,010	Nil	Nil
4	Raed Abdulla Fakhri	Director	3,710	Nil	Nil
5	Dr. Ghassan Murad	GM Mergers and Acquisitions – International Investments	103,950	Nil	Nil
6	Maha Khalid Yusuf Abdulrahman	GM Consumer Division	115,500	Nil	Nil

Key Persons Policy

As part of their policies to maintain a fair, orderly and transparent securities market, the Bahrain Bourse and the Central Bank of Bahrain (CBB) enforced the stipulation of "Key Persons' Dealing Policy".

The policy regulates the trading of securities by members of the Board of Directors, Management, staff and others persons in the company. The Directors have access to sensitive information that if exposed to the market, may directly or indirectly effect the value or price of the securities.

Batelco insures to adhere to the Key Persons Policy and reports on a regular basis to the CBB and Bahrain Bourse on any irregular activities that may occur from a key person within the company.

Elections of the Board of Directors, its Term, Induction and Orientation

According to Article (27) of the Company's Articles of Association the Term of Directors membership on the Board shall not exceed 3 years. The recent term begun in March 2017 and the start of the new term will be in March 2020.

In preparation for the upcoming elections, the board places formal, rigorous and transparent procedures for the appointment of new directors to the Board. The Remuneration, Nomination, Donation, and Corporate Governance Committee handles the responsibility of overseeing the process of nomination to the Board, and all candidates are identified against a criterion in line with Article (28) of the Company's Articles of Association.

Upon being appointed as a Director, the Company will handle the appointment, induction and orientation of the Director to assist in familiarizing them with the organization and their duties and responsibilities. In addition to that, they are briefed about the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed, not to mention any directorship in the Board sub committees or Opco's.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which the director needs to be subject to re-election. The termination of directorship can also take effect if any Director is in breach of Article (30) of the Company's Articles of Association.

Performance Evaluation

In line with the governing laws of the Kingdom, the Board members undergo an annual performance evaluation of the Board, Board Committees', and their individual performance. The evaluation is designed to determine whether the Board, its Committees, and its directors are capable of providing high level of judgment.

For the year 2019, All directors have effectively completed their performance evaluations and the next performance evaluation of the Board is scheduled for 2020.

Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to the Directors and all employees of the Company;to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities;in order to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies are developed and implemented in accordance with the applicable regulations.

Board Composition

The Board of the Company comprises of 10 Non- Executive Independent Directors, below are their details:

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
1	**Shaikh Abdulla bin Khalifa Al Khalifa -** Chairman	Non – Executive Independent	Bachelor of Science in Business Administration from the George Washington University, USA. Started his career at the Arab Banking Corporation B.S.C Served as Head of Wealth Management at Standard Chartered Bank, Bahrain. Over 21 years of experience	Appointed by Mumtalakat since June 2018 until the end of term.	Chairman of BNET Company (Bahrain) Chairman of Sure Group Company (UK) Chairman of SICO Investment Bank Board Member of Bank of Bahrain and Kuwait Board Member of Amlak and Bahrain Marina	Chief Executive Officer at Osool Asset Management
2	**R. Adm Yousif Ahmed Malalla AlSabt –** Deputy Chairman	Non – Executive Independent	Graduated from the Naval Academy in Egypt in 1978. Graduated from the Naval war college for Staff course at New Port, RI. USA in 1985. Appointed as Chief of the Royal Bahraini Naval Force until 2004 when he was appointed as Director of Planning, Organization and IT at the General Head Quarters. Over 41 years of experience.	Appointed by Amber Holdings since May 2017 until the end of term.	Board Member in BNET Company (Bahrain) Board Member and Audit Committee member in Umniah Mobile and Telephone Company (Jordan) Board Member and Audit Committee Member in Quality net Company (Kuwait), until April 2019	Assistant Chief of Staff for Logistics & Supplies at the Bahrain Defense Force Chairman of the Military Consumer & Economic Association
3	**Mr. Raed Abdulla Fakhri -** Director	Non – Executive Independent	Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA. Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. Used to hold the following roles: Head of Investment Department in Capivest Investment Bank. Batelco Senior Manager in New Business Development Unit. Control Systems Engineer and Project Engineer in Gulf Petrochemical Industries Company (GPIC). Over 25 years of experience mainly in business development and investments.	Appointed by Mumtalakat in March 2014. And was re-appointed in the AGM in March 2017 for a period of 3 Years.	Board Member in BNET Company (Bahrain) Board Member of Etihad Atheeb (Saudi Arabia) Board Member in Gulf Air Group Board Member in Investrade Board Member in BDI Partners Board Member in Cranemere Group Board Member in Bahrain Duty Free Company	Mumtalakat Vice President - Investments

Board Composition (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
4	**Arif Haider Rahimi -** Director	Non – Executive Independent	A Certified Public Accountant, Board of Accountancy, Oregan, USA. Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division. Over 30 years of experience in financial services.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	Chairman of Umniah Mobile and Telephone Company (Jordan) Board Member and Chairman of the Audit Committee of Quality Net Company (Kuwait), until April 2019 Chairman of the Bahrain International Circuit (BIC) Member in Bahrain Judicial Committee for Stalled Real Estate Projects.	Nil
5	**Ahmed Ateyatalla Al Hujairy -** Director	Non – Executive Independent	B.Sc. in Electrical Engineering – Telecommunications Major from King Fahad University of Petroleum and Minerals. Executive MBA from DePaul University, Chicago, USA . Founder and CEO of Gulf Future Business S.P.C. and group of associated companies. Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society. Member of the Bahrain Society for Training and Development. Vice Chairman, Technology Committee. Bahrain Chamber of Commerce and Industry. Over 36 years of experience in information technology, communications, business, and management.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	Deputy Chairman of Quality Net Company (Kuwait), until April 2019	Nil

Board Composition (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
6	**Mrs. Khulood Rashid Al Qattan -** Director	Non – Executive Independent	Bachelor Degree in Accounting from Ayn Shams University, Cairo. General Manager of Prime Advisory WLL. Used to hold the role of Head of Investment Department Bank of Bahrain & Kuwait Has had experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolvence Capital (Dubai). Over 27 years of experience in banking and investments.	Elected by the shareholders in March 2014. And was re-elected in the AGM in March 2017 for a period of 3 Years.	Board Member and Chairperson of Audit Committee in Umniah Mobile and Telephone Company (Jordan) Board Member and Chairperson of the Audit Committee in Dhiraagu Telecommunication Company (Maldives) Board Member in SICO Financial Services Company (SFS) Board Member in Bahrain Business Woman Society Member of the Advisory Board for the Master of Accounting and Finance at Applied Science University.	Member of the Capital Municipality Council
7	**Mr. Oliver McFall -** Director	Non-Executive Independent	Master of Business Administration , MBA, IMD, Lausanne, Switzerland Master of Science, Chemical Engineering, Technical University of Denmark Used to hold the following roles: Vice President of Roland Berger Strategy Consultants Middle East office. Senior Partner and Member of the Executive Team with AT Kearney. Senior Project Manager with McKinsey & Company. Over 33 years of experience in International Management Consulting.	Appointed by Mumtalakat since March 2014. And was re-appointed in the AGM in March 2017 for a period of 3 Years.	Board Member and Chairman of the Audit Committee of Sure Group Company (UK) Board Member in Dhiraagu Telecommunication Company (Maldives) Advisor to a number of SME's in Denmark	Nil

Board Composition (Continued)

#	Name	Type	Qualification and Experience	Appointment and Term of Directorship	Directorships and positions in other companies	Positions in any key regulatory, government or commercial entities.
8	**Mr. Jean Christophe Durand -** Director	Non – Executive Independent	Graduated from ESSEC (Ecole Superieure des Sciences Economiques et Commerciales), French Business School in Paris. Chief Executive Officer of National Bank of Bahrain. Previously Global Head of BNP Paribas MEA (Middle East & Africa) region for Corporate and Institutional Banking and Asset Management for over 15 years. Several years of experience in Bahrain working with Banque Indosuez and BNP Paribas. Over 39 years of experience in the banking and finance sector.	Elected by the shareholders at the AGM in March 2017, for a period of 3 years.	Deputy Chairman in Umniah Mobile and Telephone Company (Jordan) Board Member in Gulf Air Board Member in BIBF Chairman of the French Chamber of Commerce and Industries in Bahrain (FCCIB)	Nil
9	**Shaikh Ali Bin Khalifa AlKhalifa –** Director	Non – Executive Independent	Bachelor of Science in Mechanical Engineering from The George Washington University, D.C. Master Degree in Business Administration from DePaul Graduate program at BIBF, Bahrain. Master of Arts in Defense Studies from King's College, London President of Bahrain Football Association. Member of Asian Football Association Executive Committee. Member of the Bahrain Olympic Committee. President of Bahrain Cycling Association. Member of FIFA Competitions Committee. Over 23 years of experience.	Appointed by Amber Holdings since June 2018 until the end of term.	Deputy Chairman of BNET Company (Bahrain) Chairman of Quality Net Company (Kuwait), until April 2019 Board Member in Sure Group Company (UK)	Joined the Bahrain Defense Force in June 1996 and currently holds the rank of Lieutenant Colonel. He has held various positions within the organization
10	**Mr. Khalid Hussain Taqi -** Director	Non – Executive Independent	Bachelor of Commerce degree in Finance- Concordia University, Montreal – Canada Master's degree in Finance from DePaul University's Kellstadt Graduate School of Business. Used to hold a role as part of the Transaction Advisory Services Team at Ernst & Young - Bahrain 13 years of experience.	Appointed by Social Insurance Organization since January 2019 until the end of term.	Board Member in Dhiraagu Telecommunication Company (Maldives) Board Member in Gulf Hotels Group	Head of Strategic Investments at Osool Asset Management.

Board Meetings

According to the Governance laws and other applicable laws, the Board are required to meet during each financial year for at least 4 times. During the year 2019, the Board has met on 9 occasions on the following dates:

Members	21 Feb	27 Mar	16 Apr	2 May	3 Jun	25 Jul	14 Oct	5 Nov	28 Nov
Sh. Abdulla Al Khalifa (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓
R. Adm Yousif Ahmed Al Sabt (Deputy Chairman)	✓	✓	✓	✓	✓	✓	✓	✗	✓
Mr. Raed Fakhri (Member)	✓	✓	✓	✓	✓	✗	✓	✓	✓
Mr. Arif Rahimi (Member)	✓	✓	✓	✓	✗	✗	✓	✓	✓
Mr. Ahmed Al Hujairy (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mrs. Khulood Al Qattan (Member)	✓	✓	✗	✓	✓	✓	✓	✓	✓
Mr. Oliver McFall (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Jean Christophe Durand (Member)	✓	✓	✗	✓	✓	✓	✓	✓	✓
Sh. Ali Al Khalifa (Member)	✓	✓	✗	✓	✗	✗	✓	✓	✓
Mr. Khalid Hussain Taqi (Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Attended ✗ Did not attend

Board's Duties and Responsibilities

The Board of Directors are responsible for monitoring and overseeing the overall performance of the Company; and to ensure best practices are adopted to guarantee the best interest of the shareholders and stakeholders. Also, to ensure the effective execution of their responsibilities; the Board has the trust of the established sub committees and executive management to offset some of their duties as below:

- Represent the shareholder interests and optimizing long term financial returns.
- Establishing the Company's policies and strategy and regularly monitoring the performance of executive management against it.
- Oversight, performance evaluation and succession planning of executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- Supervision of Risk recognition and assessment to ensure that the Company's operations are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Approve and monitor the progress of major capital expenditure, capital management, and loans, including the sale of movable and immovable property, granting permission for withdrawal of money and securities.
- Establishing policies to manage potential conflicts of interest including matters such as related party transactions.
- Establishing and disseminating to all employees and appointed representatives of the Company a corporate code of conduct.

Total Remuneration paid to the directors for the year 2018 and 2019

Batelco ensures that the Board of Directors are remunerated fairly in consideration of their responsibility towards fulfilling the duties of the Board, its Committees in addition to their representation on the Company's Subsidiary Boards.

For the year 2018, Directors total remuneration for the year 2018 was BD 595,000 including sitting fees.

For the year 2019, Directors total remuneration for the is BD557,000 including sitting fees. This is also including the proposed Annual Remuneration for the Board members of BD 418,000 for the year 2019 which will be presented at the Annual General Assembly Meeting for their approval. Kindly refer to **note 36** in the Financial Statements.

Related party transactions during the year 2019

It is the policy and practice of the Company that all related party and intra-group transactions are done on an arm's length basis in the ordinary course of business and are approved by the Executive Management of the Company. Please refer the **note 36** (Transactions with Related Parties) of the Financial Statements for the details of related party transactions Directors and Management trading of the Company shares during the year.

Below is a summary of the related party transactions held in 2019 that were related to the Board Members:

Details of Transaction	Type of Transaction	Amount Paid in BD
Market Making agreement with SICO	Business	41,008
Annual Sponsorship for F1	Sponsorship	367,500
Agreement between Batelco and Thinksmart	Training	2,000
Support for Bahrain Football Team by providing an airplane via Gulf Air	Sponsorship	32,000
Support for Bahrain Football team members by providing a cash contribution	Donation	50,000
Sh. Nasser Football tournament	Donation	100,000

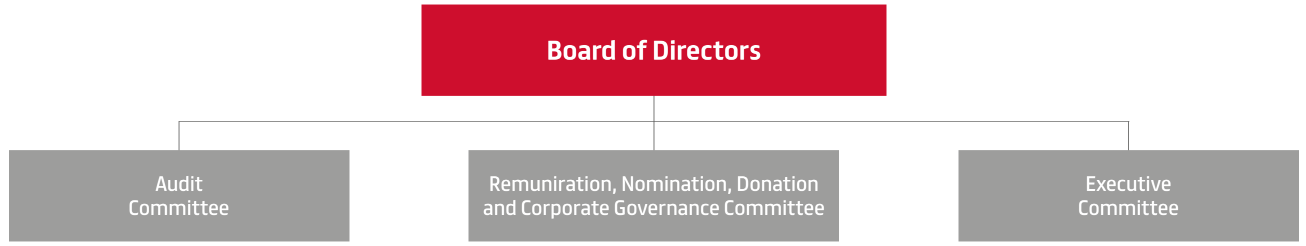
Conflict of Interest

Batelco has ensured that all Board Members are aware of their obligation to adhere to the Company's strict policy to disclose any conflict of interest that may arise before a discussion of a certain agenda item, or any external appointment made that may affect their judgment. Additionally, the Board has the duty to avoid any circumstances that may result in a conflict. In all cases, all matters of conflict must be declared and approved by the Board. During the year 2019, the Board Members have declared conflict in discussions and refrained from voting on the below:

#	Date	Meeting and Date	Conflict of Interest Matter	Declared by
1	25 July 2019	Board Meeting	Project (A)	Sh. Abdulla Al Khalifa Mr. Khalid Taqi
2	14 October 2019	Board Meeting	Project (M)	Mrs. Khulood AlQattan Mr. Oliver McFall Mr. Khalid Taqi
3	5 November 2019	Board Meeting	Project (B)	Mr. Raed Fakhri Mr. Arif Rahimi
4	28 November 2019	Board Meeting	Bond Refinancing	Sh. Abdulla Al Khalifa Mr. Jean Christophe Durand Mr. Raed Fakhri
5	7 February/14 February/5 March/ 25 March and 4 July 2019	Executive Committee Meeting	Strategic Fit Assessment	Mr. Jean Christophe Durand
6	4 July 2019	Executive Committee Meeting	Batelco International Office	Mr. Khalid Taqi
7	26 September and 26 November 2019	Executive Committee Meeting	Bond Refinancing	Mr. Jean Christophe Durand Mr. Raed Fakhri
8	26 November 2019	Executive Committee Meeting	Project (B)	Mr. Raed Fakhri Mr. Arif Rahimi

Board Committees Structure

In line with the Code of Governance the Board have set up sub committees to oversee some of their responsibilities which are clarified in each Committee's charter, below is the Company's Board Committee's Structure:



Audit Committee

As per the Charter of the Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Committee met on 7 occasions on the following dates.

Members	20 Feb	30 Apr	20 May	3 Jun	27 Jun	24 Jul	4 Nov
Mr. Ahmed Al Hujairy (Chairman)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Sh. Ali Al Khalifa (Deputy Chairman)	Attended	Did not attend	Did not attend	Did not attend	Did not attend	Did not attend	Attended
Mr. Oliver McFall (Member)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mrs. Khulood Al Qattan (Member)	Attended	Attended	Attended	Attended	Attended	Attended	Attended

Attended   Did not attend

Remuneration, Nomination, Donation and Corporate Governance Committee

As per the Charter of the Committee the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the Committee met on 6 occasions on the following dates.

Members	15 Jan	12 Feb	17 Feb	26 May	1 Oct	26 Nov
Sh. Abdulla Al Khalifa (Chairman)	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Raed Fakhri (Deputy Chairman)	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Jean Christophe Durand (Member)	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Khalid Taqi (Member)	–	Attended	Did not attend	Attended	Attended	Attended

Attended   Did not attend

Directorship Changes 17 January 2019

Executive Committee

As per the Charter of the Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Committee met on 7 occasions on the following dates and discussed the below mentioned significant items.

Members	7 Feb	14 Feb	5 Mar	25 Mar	4 Jul	29 Sep	26 Nov
Mr. Jean Christophe Durand (Chairman)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Raed Fakhri (Deputy Chairman)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Mr. Arif Rahimi (Member)	Attended	Attended	Attended	Attended	Attended	Attended	Attended
R. Adm Yousif Ahmed Al Sabt (Member)	Attended	Attended	Did not attend	Did not attend	Attended	Attended	Attended
Mr. Khalid Taqi (Member)	Attended	Attended	Attended	Attended	Attended	Attended	Attended

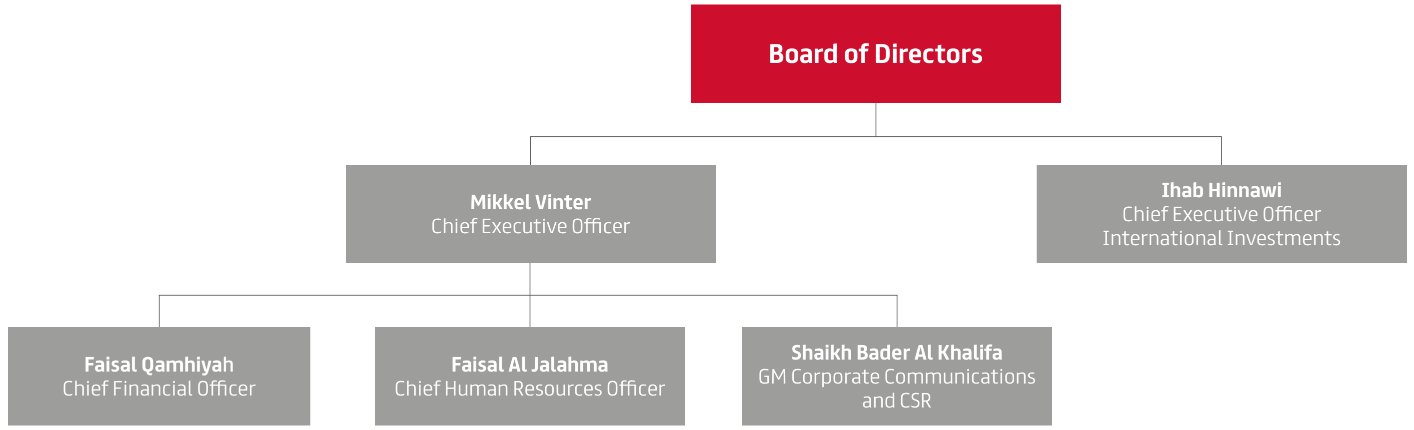
Attended | Did not attend

Sitting fees paid to the directors for attendance of the Board's committees for the year 2019

Name of Committee	Number of Meetings	Total amount paid to Directors (BD)
Audit Committee	7	13,250
Remuneration, Nomination, Donation and Corporate Governance Committee	6	12,500
Executive Committee	7	18,250

Batelco Organizational Structure

Batelco's Organization structure is comprised of several levels, the below structure highlights some of the main Key Executive Management in the Company:



Below is a summary of the Key Executive Management Profiles:

#	Name and Position	Qualification and Experience	Appointment date in the Company
1	**Mikkel Vinter – Chief Executive Officer**	Holds a Master's degree in Economics and Business Administration from Copenhagen Business School and has completed a Marketing and Management Programme with McGill University and INSEAD. Founded Virgin Mobile, Middle East & Africa in 2006 and served as its Chief Executive Officer until 2016. Served as Chief Commercial Officer for Nawras in Oman.	May 2019
2	**Ihab Hinnawi – Chief Executive Officer – International Investments**	Holds a BA in Business Administration. Used to hold the role of Chief Executive Officer of Umniah as well as Umniah Operations Director. He also used to hold the role of General manager Enterprise division in Batelco.	2015
3	**Faisal Qamhiyah – Chief Financial Officer**	Holds a BA in Economics, and obtained a CPA and an EDP from Kellogg School of Management, USA. Used to hold the roles of Chief Financial Officer of Umniah, Chief Operating Officer – Zain Jordan, and Investments Director – Ern Capital.	2012
4	**Faisal Al Jalahma – Chief Human Resources Officer**	Holds an MBA from the University of Strathclyde, UK and several executive qualifications from Harvard Business School and Harvard University, and John F. Kennedy School of Government. Held the role of Director of Finance, Information Technology and Human Resources in the Telecommunications Regulatory Authority (TRA). Began his career with Batelco as a graduate trainee in the HR.	2018
5	**Shaikh Bader Al Khalifa – GM Corporate Communications and CSR**	Holds a BA in Business Administration and Master of Science in Management from Boston University, USA. Held a number of management roles in Batelco including Head of Corporate Communications & Marketing and Head of Human Resources Used to hold various roles in ALBA including Organizational Development, PR and Internal Communications.	2010

Total Remuneration paid to the Key Executive Management for the year 2019

The Company has a framework in place to monitor and evaluate the performance of the executive management and employees of the Company. An equitable and transparent system of limits and performance metrics is in place which is used to reward the employees of the Company for their accomplishments during the year. The executive management under the guidance of the Remuneration and Nomination Committee is responsible for administering the employee performance process.

The total key executive management compensation was recorded at BD 2,041 million, Please refer the **note 36** (Transactions with Related Parties) of the financial statements for the details of Key personnel management.

External Auditors

KPMG has had a presence in the Kingdom of Bahrain for nearly 50 years. From a small local accounting firm, founded in 1968 by university friends Jassim M. Fakhro and Hussain Kasim, KPMG in Bahrain has become one of the largest and most prestigious professional services firms in the country. KPMG in Bahrain employs over 300 professional staff and partners. They also provide clients a suite of locally-supported Audit, Tax and Advisory services.

Name of the Audit Firm	KPMG Fakhro
Years of service as the Company's External Auditor	Since 1993
Name of the Partner in Charge of the Company's Audit	Mahesh Balasubramanian
The Partner's years of service as the partner in charge of the Company's audit	6 years
Total audit fees for the financial statements for the year 2019 (BD)	90,100
Other special fees and charges for non-audit services other than auditing the financial statements for the year 2019 (BD) if any. In the absence of such fees, this shall be expressly stated	45,570

Details of any irregularities committed during the financial year

Nil

Cash and in-kind contributions made by the Company during the year 2019

The AGM last year approved a budget of BD 1.25M for the purpose of donation. The amount mentioned has been donated to different societies and causes that aimed to better the local community. Major contributions were given towards the Health, Community, Environment, Sports and Youth domains.

Significant events that occurred during the year 2019

Nil

Compliance with the provisions of the Corporate Governance Code, as follows:

Principle	Non-Compliant	Partially Compliant	Fully Compliant	Explanation in case of non-compliance
Principle 1: The Company shall be headed by an effective, qualified and expert board.			✓	
Principle 2: The directors and executive management shall have full loyalty to the company.			✓	
Principle 3: The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law.			✓	
Principle 4: The Company shall have effective procedures for appointment, training, and evaluation of the directors			✓	
Principle 5: The Company shall remunerate directors and senior officers fairly and responsibly.			✓	
Principle 6: The Board shall establish a clear and efficient management structure for the Company and define the job titles, powers, roles and responsibilities.			✓	
Principle 7: The Company shall communicate with shareholders, encourage their participation, and respect their rights.			✓	
Principle 8: The Company shall disclose its corporate governance.			✓	
Principle 10: The Board shall ensure the integrity of the financial statements submitted to shareholders through appointment of external auditors.			✓	
Principle 11: The Company shall seek through social responsibility to exercise its role as a good citizen.			✓	
***Principle 9:** Companies which offer Islamic services shall adhere to the principles of Islamic Shari'a. *			Not Applicable to Batelco	

* Applicable only to the companies offering Islamic services.

Any disclosures required by the regulatory authorities

Nil

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

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 audit 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

BAHRAIN TELECOMMUNICATIONS COMPANY BSC
P.O. BOX 14, MANAMA, KINGDOM OF BAHRAIN

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- 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

KPMG Fakhro

Partner registration number 137

20 February 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

BD'000

	Note	2019	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 62)		**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 59 to 104 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.

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 59 to 104 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.

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

BD'000

		Equity attributable to equity holders of the Company										
			Reserves									
	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Treasury shares	Retained earnings	Total	Non - controlling interest	Total equity
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**

		Equity attributable to equity holders of the Company									
			Reserves								
2018	Note	Share capital	Statutory reserve	General reserve	Foreign currency translation reserve	Investment fair value reserve	Post-employment benefit actuarial reserve	Retained earnings	Total	Non - controlling interest	Total equity
At 1 January 2018 (previously reported)		166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	211,212	461,883	40,584	502,467
Impact of First-time adoption of IFRS 15		-	-	-	-	-	-	1,479	1,479	111	1,590
Balance at 1 January 2018 as restated		166,320	84,116	45,890	(13,223)	(26,767)	(5,665)	212,691	463,362	40,695	504,057
Profit for the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

BD'000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

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 entire 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

6. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue from contracts with customers (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Property and equipment (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Leases (Continued)

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 exercisable 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 time frame 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments (Continued)

Financial liabilities (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Impairment (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Employee benefits (Continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

8. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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**

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10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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15. POST-EMPLOYMENT BENEFIT ASSETS (Continued)

a) Defined benefit scheme (Continued)

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

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FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

15. POST-EMPLOYMENT BENEFIT ASSETS (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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.

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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**

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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%

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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.

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23. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity			
2019	**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**

	Liabilities		Equity			
2018	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

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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.

	Reportable segments							
2019	**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.

	Reportable segments							
2018	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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32. FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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33. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

(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.

(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

Trade receivables– telecom operators	2019 Gross carrying amount	2019 Specific Life-time ECL, credit impaired	2018 Gross carrying amount	2018 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 Collective life-time ECL,	2019 Specific life-time ECL, credit impaired	2019 Total	2018 Collective life-time ECL,	2018 Specific life-time ECL, credit impaired	2018 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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33. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

(v) Customer accounts including contract assets

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

	2019	2018
Operating segment		
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:

	2019	2018
Customer segment		
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 Gross exposure	2019 Life-time ECL	2019 Credit Impaired	2018 Gross exposure	2018 Life-time ECL	2018 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.

(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:

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

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FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

33. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019 BD'000

33. FINANCIAL INSTRUMENTS - FINANCIAL RISK MANAGEMENT (Continued)

d) Market Risk (Continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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	**QualityNet**	**Dhiraagu**	QualityNet	Dhiraagu
NCI Share	**10%**	**48%**	10%	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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							Year ended 31 December 2018						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter-segment elimination**	**Total**	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	169,509	93,309	67,540	55,269	20,226	-	405,853
Inter segment revenues	128	441	-	-	1,859	(2,428)	-	286	347	-	-	5,927	(6,560)	-
Depreciation, amortization and tangible assets impairment	21,967	22,387	10,472	10,840	555	-	66,221	(23,244)	(21,397)	(9,548)	(14,830)	(1,078)	-	(70,097)
Finance income	7,934	4	122	102	27	(556)	7,633	6,210	9	181	63	74	(523)	6,014
Finance expenses	9,015	5,623	953	286	78	(530)	15,425	(8,571)	(3,948)	(1,169)	-	-	530	(13,158)
Other income (net)	2,055	144	47	(82)	139	(2,430)	(127)	3,495	127	38	80	1,068	(1,446)	3,362
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)	-	-	-	-	(6,976)	-	(6,976)
Income tax expense	-	(752)	(3,996)	(941)	(8)	-	(5,697)	-	1,706	(3,690)	234	(19)	-	(1,769)
Profit for the year	**60,098**	**1,560**	**21,435**	**6,327**	**(27,307)**	**(70)**	**62,043**	43,517	(2,347)	20,605	2,400	(3,920)	(40)	60,215

	As at 31 December 2019							As at 31 December 2018						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**Sure Group**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	Sure Group	Others	Inter-segment elimination	Total
Non-current assets	185,961	267,661	103,121	99,543	6,997	(18,114)	645,169	173,738	219,795	99,855	88,385	34,857	(17,854)	598,776
Current assets	276,987	25,692	30,182	35,288	192	(20,637)	347,704	229,727	26,300	24,119	29,648	26,959	(23,153)	313,600
Total assets	**462,948**	**293,353**	**133,303**	**134,831**	**7,189**	**(38,751)**	**992,873**	**403,465**	**246,095**	**123,974**	**118,033**	**61,816**	**(41,007)**	**912,376**
Current liabilities	295,507	84,154	18,307	13,352	73	(37,404)	373,989	82,785	65,320	16,089	11,162	18,661	(12,896)	181,121
Non-current liabilities	8,741	76,772	12,329	16,905	-	(9,237)	105,510	181,682	50,131	7,904	6,571	-	(19,913)	226,375
Total liabilities	**304,248**	**160,926**	**30,636**	**30,257**	**73**	**(46,641)**	**479,499**	**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