Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Bahrain Telecommunications Company BSC

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Telecommunications Company BSC
Manama, Kingdom of Bahrain

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Bahrain Telecommunications Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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

KPMG Fakhro
Partner Registration No. 137
15 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015 BD'000

	Note	**2015**	2014
ASSETS			
Non-current assets			
Property and equipment	5	264,283	255,159
Goodwill	6	168,826	173,881
Other intangible assets	7	163,110	141,812
Investment in associate	8	76,324	75,793
Deferred tax assets	14	4,905	3,733
Post-employment benefit assets	24	4,210	189
Other investments	9	48,597	35,466
Total non-current assets		**730,255**	686,033
Current assets			
Inventories		4,607	4,296
Trade and other receivables	10	110,158	118,263
Cash and bank balances	11	159,962	150,185
Total current assets		**274,727**	272,744
Total assets		**1,004,982**	958,777
EQUITY AND LIABILITIES			
Equity			
Share capital	16	166,320	166,320
Statutory reserve	17	84,116	83,160
General reserve	17	45,890	46,464
Foreign currency translation reserve		(3,580)	3,056
Investment fair value reserve		(2,488)	(589)
Post-employment benefit actuarial reserve		(4,605)	(2,293)
Retained earnings		242,180	235,950
Total equity attributable to equity holders of the Company		**527,833**	532,068
Non-controlling interest		45,220	46,990
Total equity (Page 5 - 6)		**573,053**	579,058
Non-current liabilities			
Trade and other payables	12	5,010	4,698
Loans and borrowings	15	222,469	176,523
Deferred tax liabilities	14	19,195	22,577
Total non-current liabilities		**246,674**	203,798
Current liabilities			
Trade and other payables	12	181,743	175,921
Loans and borrowings	15	3,512	-
Total current liabilities		**185,255**	175,921
Total liabilities		**431,929**	379,719
Total equity and liabilities		**1,004,982**	958,777

The consolidated financial statements, which consist of pages 2 to 47 were approved by the Board of Directors on 15 February 2016 and signed on its behalf by:

Hamad bin Abdulla Al Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2015 BD'000

	Note	2015	2014
REVENUE	19	**372,428**	389,656
EXPENSES			
Network operating expenses	20	(136,252)	(139,119)
Staff costs		(53,004)	(55,738)
Depreciation and amortisation		(67,789)	(67,029)
Other operating expenses	21	(45,226)	(50,056)
Total expenses		**(302,271)**	(311,942)
Results from operating activities		**70,157**	77,714
Finance and other income	22	6,538	9,126
Finance and other expenses	23	(11,842)	(10,308)
Impairment on available-for-sale investments		(3,062)	(16,791)
Impairment on goodwill	6	(3,600)	-
Share of profit of associate (net)	8	531	3,818
Profit before taxation		**58,722**	63,559
Income tax expense	14	(1,877)	(6,171)
Profit for the year		**56,845**	57,388
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		(6,664)	(7,156)
Investment fair value changes – available-for-sale financial assets		(4,961)	(18,776)
Net fair value changes transferred to profit or loss on impairment		3,062	16,791
		(8,563)	(9,141)
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset including related tax	24	(2,312)	(870)
		(2,312)	(870)
Other comprehensive income, net of tax		**(10,875)**	(10,011)
Total comprehensive income for the year		**45,970**	47,377
Profit for the year attributable to:			
Equity holders of the Company		49,512	49,347
Non-controlling interest		7,333	8,041
		56,845	57,388
Total comprehensive income for the year attributable to:			
Equity holders of the Company		38,579	39,348
Non-controlling interest		7,391	8,029
		45,970	47,377
Basic and diluted earnings per share (Fils)	25	**29.8**	29.7

The consolidated financial statements, which consist of pages 2 to 47 were approved by the Board of Directors on 15 February 2016 and signed on its behalf by:

Hamad bin Abdulla Al Khalifa
Chairman

Abdul Razak Abdulla Al Qassim
Deputy Chairman

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

BD'000

	Note	**2015**	2014
OPERATING ACTIVITIES			
Results from operating activities		70,157	77,714
Adjustment For:			
Depreciation and amortisation		67,789	67,029
		137,946	144,743
Working capital changes:			
Decrease /(increase) in trade and other receivables		8,144	(5,010)
Increase in inventories		(443)	(515)
(Decrease)/ increase in trade and other payables		(6,929)	6,116
Cash generated from operating activities		**138,718**	145,334
Taxes paid		(8,029)	(9,808)
Payment to charities		(1,720)	(1,121)
Net cash from operating activities		**128,969**	134,405
INVESTING ACTIVITIES			
Acquisition of property, equipment and intangibles		(93,944)	(35,596)
Acquisition of businesses, net of cash acquired		-	(1,096)
Receipts from associate	8	-	4,068
Purchase of available-for-sale bonds	9	(18,580)	(18,845)
Purchase of other investments		(2,386)	(51,361)
Interest and investment income received		3,535	3,179
Net cash used in investing activities		**(111,375)**	(99,651)
FINANCING ACTIVITIES			
Dividend paid		(50,248)	(42,071)
Interest paid		(9,204)	(10,185)
Acquisition of non-controlling interest		-	(14,958)
Borrowings (net)		49,190	(66,878)
Net cash used in financing activities		**(10,262)**	(134,092)
Increase/(decrease) in cash and cash equivalents		**7,332**	(99,338)
Cash and cash equivalents at 1 January		95,732	195,070
Cash and cash equivalents at 31 December	11	**103,064**	95,732

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015 BD'000

2015	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
		Equity attributable to equity holders of the Company									
At 1 January 2015		166,320	83,160	46,464	3,056	(589)	(2,293)	235,950	532,068	46,990	579,058
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**49,512**	**49,512**	**7,333**	**56,845**
Other comprehensive income											
Foreign currency translation differences		-	-	-	(6,636)	-	-	(86)	(6,722)	58	(6,664)
Investment fair value changes		-	-	-	-	(4,961)	-	-	(4,961)	-	(4,961)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	3,062	-	-	3,062	-	3,062
Remeasurement of defined benefit liability including related tax	24	-	-	-	-	-	(2,312)	-	(2,312)	-	(2,312)
Total other comprehensive income		**-**	**-**	**-**	**(6,636)**	**(1,899)**	**(2,312)**	**(86)**	**(10,933)**	**58**	**(10,875)**
Total comprehensive income for the year		**-**	**-**	**-**	**(6,636)**	**(1,899)**	**(2,312)**	**49,426**	**38,579**	**7,391**	**45,970**
Contributions and distributions											
Final dividends declared for 2014	18	-	-	-	-	-	-	(24,948)	(24,948)	-	(24,948)
Donations declared for 2014		-	-	-	-	-	-	(1,234)	(1,234)	-	(1,234)
Transfer to statutory reserve (net)		-	956	-	-	-	-	(956)	-	-	-
Transfer from general reserve	17(b)	-	-	(574)	-	-	-	574	-	-	-
Interim dividends declared for 2015	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Dividends to non-controlling interest		-	-	-	-	-	-	-	-	(9,161)	(9,161)
Total contributions and distributions		**-**	**956**	**(574)**	**-**	**-**	**-**	**(43,196)**	**(42,814)**	**(9,161)**	**(51,975)**
At 31 December 2015		**166,320**	**84,116**	**45,890**	**(3,580)**	**(2,488)**	**(4,605)**	**242,180**	**527,833**	**45,220**	**573,053**

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

Bahrain Telecommunications Company BSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

BD'000

		Equity attributable to equity holders of the Company									
2014	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 2014		158,400	77,684	46,412	11,185	1,396	(1,423)	245,759	539,413	53,732	593,145
Profit for the year		-	-	-	-	-	-	49,347	49,347	8,041	57,388
Other comprehensive income											
Foreign currency translation differences		-	-	-	(7,144)	-	-	-	(7,144)	(12)	(7,156)
Investment fair value changes		-	-	-	-	(18,776)	-	-	(18,776)	-	(18,776)
Net fair value change transferred to profit or loss on impairment		-	-	-	-	16,791	-	-	16,791	-	16,791
Remeasurement of defined benefit liability including related tax		-	-	-	-	-	(870)	-	(870)	-	(870)
Total other comprehensive income		-	-	-	(7,144)	(1,985)	(870)	-	(9,999)	(12)	(10,011)
Total comprehensive income for the year		-	-	-	(7,144)	(1,985)	(870)	49,347	39,348	8,029	47,377
Contributions and distributions											
Bonus shares issued		7,920	-	-	-	-	-	(7,920)	-	-	-
Final dividends declared for 2013	18	-	-	-	-	-	-	(15,840)	(15,840)	(9,913)	(25,753)
Donations declared for 2013		-	-	-	-	-	-	(1,090)	(1,090)	-	(1,090)
Transfer to statutory reserve (net)		-	5,476	-	-	-	-	(5,476)	-	-	-
Transfer to general reserve	17(b)	-	-	52	-	-	-	(54)	(2)	2	-
Interim dividends declared for 2014	18	-	-	-	-	-	-	(16,632)	(16,632)	-	(16,632)
Total contributions and distributions		7,920	5,476	52	-	-	-	(47,012)	(33,564)	(9,911)	(43,475)
Changes in ownership interests											
Acquisition of non-controlling interest without a change in control		-	-	-	(985)	-	-	(12,144)	(13,129)	(4,860)	(17,989)
Total changes in ownership interests		-	-	-	(985)	-	-	(12,144)	(13,129)	(4,860)	(17,989)
At 31 December 2014		166,320	83,160	46,464	3,056	(589)	(2,293)	235,950	532,068	46,990	579,058

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015 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 2015 comprise the financial statements of the Company, and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associate. The registered office of the Company is P.O. Box 14, Manama, Kingdom of Bahrain. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation or registration is also their principal place of business. The subsidiaries and associate of the Group included in these consolidated financial statements are as follows.

Company	**Country of incorporation**	**Principal activity**	**Share Holding (%)**
Subsidiaries			
Batelco Middle East Holding Co. BSC (c)	Kingdom of Bahrain	Holding Company	100
BMIC Limited	Mauritius	Holding Company	100
Batelco Egypt Communications (S.A.E.)	Arab Republic of Egypt	Telecommunication services	100
Batelco Middle East Jordan LLC	Kingdom of Jordan	Holding Company	100
Batelco International Company BSC (c)	Kingdom of Bahrain	Holding Company	100
Batelco International Group Holding Limited	Bailiwick of Jersey	Holding Company	100
Umniah Mobile Company PSC	Kingdom of Jordan	Telecommunication services	96
Batelco Jordan PSC	Kingdom of Jordan	Telecommunication services	96
Urcell Telecom & Technologies Services LLC	Kingdom of Jordan	Telecommunication services	96
QualityNet General Trading and Contracting Company WLL	State of Kuwait	Telecommunication services	90
Batelco International Finance No1 Limited	Cayman Islands	Holding Company	100
BTC Islands Limited	United Kingdom	Holding Company	100
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
BTC South Atlantic Limited	United Kingdom	Holding Company	100
Sure (Diego Garcia) Limited	Diego Garcia	Telecommunication services	100
Sure South Atlantic Limited	South Atlantic	Telecommunication services	100
Associate			
Yemen Company for Mobile Telephony Y.S.C	Republic of Yemen	Telecommunication services	26.94

2 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments and investment at fair value through profit or loss and contingent consideration in a business combination that are stated at their fair values.

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

- Note 3 h) & 9 Valuation of financial instruments including determination of fair values: based on valuation techniques
- Note 3 j) & 13 Recognition and measurement of provision: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 3 k) Impairment test for financial and non-financial assets: key assumptions underlying recoverable amounts
- Note 3 n) Recognition of deferred tax assets: availability of future taxable profits against which carry forward tax losses can be used
- Note 6 Goodwill impairment: measurement of the recoverable amounts of cash-generating units
- Note 24 Measurement of defined benefit obligations: key actuarial assumptions

e) Amendments and interpretations effective from 1 January 2015

The following amendments which became effective as of 1 January 2015 are relevant to the Group. The adoption of these amendments had no significant impact on the consolidated financial statements:

i) Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

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

ii) Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycles various standards

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014.

The following are the key amendments in brief:

- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

- IFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:

  - a brief description of the operating segments that have been aggregated; and
  - the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

  In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

2 BASIS OF PREPARATION (continued)

- IAS 40 has been amended to clarify that an entity should:

- assess whether an acquired property is an investment property under IAS 40; and
- perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

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

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

a)* IFRS 9 *Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

b) IFRS 15 Revenue from Contracts with Customers

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

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

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

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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

d) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

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

The following are the key amendments in brief:

- IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for de recognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

e) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

The amendments to IFRS 10 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

2 BASIS OF PREPARATION (continued)

f) Disclosure Initiative (Amendments to IAS 1).

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

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3 SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

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

(i) Subsidiaries

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

(ii) Non-controlling interests (NCI)

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

(iii) 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.

(iv) Investment in associates

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

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

(v) Transactions eliminated on consolidation

All material intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

(ii) Financial statements of foreign operations

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

c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repair and maintenance are expensed as incurred.

(iii) Impairment

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

d) Investment property

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

e) Leased assets

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

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

f) Goodwill

Goodwill arising on acquisition of subsidiaries is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Other intangible assets

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

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

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

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

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

h) Financial instruments

Financial instruments comprise available-for-sale investments, investment at fair value through profit or loss, trade receivables, other receivables, unbilled revenue, cash and bank balances, amounts due to telecommunications operators, trade payable, other payables and loans and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group initially recognizes financial assets and financial liabilities on the date at which they are originated. Financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(i) Other investments, including derivatives
The Group's investments in equity securities and certain debt securities are classified as available-for-sale ("AFS") investments. Purchase and sale of AFS investments are accounted for on the trade date and are initially recorded at cost, being the fair value of the consideration given including transaction charges associated with the investment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses (refer to note 3 k)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. The fair value of AFS investments is their quoted bid price at the reporting date. AFS investments where there is no quoted market price or other appropriate methods from which to derive reliable fair values, are carried at cost less impairment.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Investment carried at fair value through profit or loss is measured at fair value and changes therein, including any dividend income, are recognised in profit or loss.

(ii) Trade and other receivables
Trade receivables do not carry any interest and are stated at their fair value of services rendered as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not to be collectible.

(iii) Cash and cash equivalents
Cash and cash equivalents include cash on hand and balance with banks and time deposits which are readily convertible to a known amount of cash.

(iv) Trade and other payables
Trade payables are not interest bearing and are stated at their nominal value. Fair value, which is determined for disclosure purposes, approximates the nominal value at the reporting date.

(v) Loans and borrowings
Group initially recognises loans and borrowings on the date they are originated. Group derecognises loans and borrowings when its contractual obligations are discharged, cancelled or expire.

These are initially recognised at fair value less any directly attributable transaction cost. Subsequent to initial measurement these are measured at amortised cost using the effective interest method.

(vi) 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.

i) 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.

j) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Impairment losses on trade and other receivables are recognised within other operating expenses. Any cumulative loss in respect of an available-for-sale financial asset is recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(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.

l) Employee benefits

(i) Local employees

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Expatriate employees

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

(iii) 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.

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

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

m) Borrowing costs

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

n) 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 the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

o) Revenue

Revenue represents the value of fixed or determinable consideration received or receivable for telecommunication products and services provided. Revenue is recognised, net of discounts and sales taxes, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, installation and activation fees, equipment sales and other related services.

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

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

Revenue from interconnect fees is recognised at the time the services are performed.

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

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

Revenue from handset and other equipment sales is recognised when the product is delivered to the customer.

In revenue arrangements including more than one deliverable that have value to a customer on stand-alone basis, the arrangement consideration is allocated to each deliverable based on IAS 18.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

p) 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.

q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 30).

r) Fair value measurement for financial instruments

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.

s) 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 entity shall cease to classify the asset as held-for-sale and shall measure the asset at the lower of its carrying amount before the asset was classified as held-for-sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

a) Credit risk

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

(i) Trade receivables

The Group's trade receivables are spread among customer's 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 obtain collaterals for providing services to some residential customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015 BD'000

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 10 and 21).

(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 financial asset is below the carrying value of the financial asset. The Group has gross maximum exposure to other receivables of BD 66.62 million (2014: BD 59.59 million) and has recognized cumulative impairment allowances amounting to BD 27.08 million (2014: BD 19.54 million). Based on the current status of discussions with the debtors and expected realization, the management believes that the current level of provisions is adequate.

(iii) Investments and cash and bank balances

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

(iv) Exposure to credit risk

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:

	2015	2014
Trade receivables	48,497	67,938
Unbilled revenue	4,162	7,397
Other receivables	42,287	29,194
Other investments	34,831	18,648
Cash at bank	159,634	149,790
	289,411	272,967

(v) Customers' accounts

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

Operating segment	**2015**	2014
Bahrain	23,706	40,185
Jordan	6,103	3,575
Maldives	1,123	976
Channel Islands and Isle of Man (CIIM)	2,537	1,446
Other countries	3,523	2,752
	36,992	48,934

for the year ended 31 December 2015 BD'000

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

(vi) Amounts due from telecommunications operators

The maximum exposure to credit risk for amounts due from telecommunications operators at by type of customer was:

Customer segment	**2015**	2014
International operators	7,441	8,908
Local operators	4,064	10,096
	11,505	19,004

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. A major portion of the Group's funds are invested in cash and cash equivalents which are readily available to meet expected operational expenses, including the servicing of financial obligations.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

Non-derivative financial liabilities at 31 December 2015	**Carrying amount**	**Contractual cash flows**	**Within one year**	**1-2 Years**	**More than two years**
Trade payables	45,793	45,793	45,793	-	-
Other payables	7,421	7,421	7,421	-	-
Amount due to telecommunications operators	12,072	12,072	12,072	-	-
Loans and borrowings	225,981	253,977	11,089	7,022	235,866
	291,267	**319,263**	**76,375**	**7,022**	**235,866**

Non-derivative financial liabilities at 31 December 2014	Carrying amount	Contractual cash flows	Within one year	1-2 Years	More than two years
Trade payables	33,495	33,495	33,495	-	-
Other payables	9,570	9,570	9,570	-	-
Amount due to telecommunications operators	17,535	17,535	17,535	-	-
Loans and borrowings	176,523	219,978	7,578	7,578	204,822
	237,123	280,578	68,178	7,578	204,822

c) Market risk

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

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

(i) Currency risk

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

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

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

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Under the Group's interest rate management policy, interest rates on monetary assets and liabilities denominated in Bahraini Dinars, Jordanian Dinars, and Kuwaiti Dinars are maintained on a floating rate basis. The average interest rate yield from bank deposits and available-for-sale investments during 2015 was 2.20 % (2014: 1.39 %).

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

	2015	2014
Fixed rate instruments		
Financial assets	**47,589**	29,778
Financial liabilities	**176,826**	176,523
Variable rate instruments		
Financial assets	**102,362**	110,098
Financial liabilities	**49,155**	-

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 instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by BD 1,024 (2014: BD 1,054).This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(iii) Other market 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 available-for-sale investment 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.

The Group's investment in Etihad Atheeb Telecommunications Company ('the Investee') (Note 9) is sensitive to movement in quoted share price of the Investee. A 10% change in the share price of the Investee at the reporting date can result in a BD 1,294 (2014: BD 1,600) increase/(decrease) in value of the investment.

for the year ended 31 December 2015 BD'000

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

(iv) Other price risk

Other investments include AFS investments. These investments carried at cost are exposed to risk of changes in market values. Refer to note 3 h) for accounting policies on valuation of AFS investments and note 3 k) for significant estimates and judgements in relation to impairment assessment of AFS investments. The Group manages exposure to other price risks by actively monitoring the performance of the investments. The performance assessment is performed on an annual basis and is reported to the Board of Directors.

d) Capital management

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

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

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. There were no significant changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

e) Accounting classification of financial instruments

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

31 December 2015	**Loans and receivables**	**Available-for-sale**	**Others at amortised cost**	**Total carrying amount**
Financial assets				
Other investments at fair value	-	47,771	-	47,771
Other investments at cost	-	-	826	826
Trade receivables	48,497	-	-	48,497
Other receivables	42,287	-	-	42,287
Unbilled revenue	4,162	-	-	4,162
Cash and bank balances	159,962	-	-	159,962
	254,908	**47,771**	**826**	**303,505**
Financial liabilities				
Trade payables	-	-	45,793	45,793
Other payables	-	-	7,421	7,421
Amounts due to telecommunications operators	-	-	12,072	12,072
Loans and borrowings	-	-	225,981	225,981
	-	**-**	**291,267**	**291,267**

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

31 December 2014	Loans and receivables	Available-for-sale	Others at amortised cost	Total carrying amount
Financial assets				
Other investments at fair value	-	34,651	-	34,651
Other investments at cost	-	-	815	815
Trade receivables	67,938	-	-	67,938
Other receivables	29,194	-	-	29,194
Unbilled revenue	7,397	-	-	7,397
Cash and bank balances	150,185	-	-	150,185
	254,714	34,651	815	290,180
Financial liabilities				
Trade payables	-	-	33,495	33,495
Other payables	-	-	9,570	9,570
Amounts due to telecommunications operators	-	-	17,535	17,535
Loans and borrowings	-	-	176,523	176,523
	-	-	237,123	237,123

f) Measurement of fair values

The Group's financial assets and financial liabilities are measured at amortised cost except for certain available-for-sale investments and investments at fair value through profit or loss, which are carried at fair value. Fair values measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

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

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

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

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

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

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

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 2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Financial assets measured at fair value				
Other investments	47,204	-	567	47,771
Financial assets not measured at fair value				
Other investments	-	-	826	826
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	-	-	2,113	2,113
Loans and borrowings	225,981	-	-	225,981

	Fair value			
31 December 2014	Level 1	Level 2	Level 3	Total fair value
Financial assets measured at fair value				
Other investments	34,084	-	567	34,651
Financial assets not measured at fair value				
Other investments	-	-	815	815
Financial liabilities not measured at fair value				
Contingent consideration (Other Payables)	-	-	3,031	3,031
Loans and borrowings – Bonds	175,626	-	-	175,626

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

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5 PROPERTY AND EQUIPMENT

31 December 2015	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2015
Cost					
At 1 January	81,704	492,909	49,988	33,272	657,873
Additions	1,163	21,224	481	40,634	63,502
Projects completed	2,708	34,545	6,502	(43,755)	-
Disposals	(466)	(11,739)	(3,808)	(5)	(16,018)
Effect of movements in exchange rates and other adjustments	(546)	(3,639)	(3,493)	(481)	(8,159)
At 31 December	**84,563**	**533,300**	**49,670**	**29,665**	**697,198**
Depreciation					
At 1 January	50,307	314,809	37,598	-	402,714
Charge for the year	2,797	42,301	3,353	-	48,451
Disposals	(466)	(10,553)	(2,867)	-	(13,886)
Impairment *	1,533	-	-	-	1,533
Effect of movements in exchange rates and other adjustments	(245)	(1,062)	(4,590)	-	(5,897)
At 31 December	**53,926**	**345,495**	**33,494**	**-**	**432,915**
Net book value					
At 31 December 2015	**30,637**	**187,805**	**16,176**	**29,665**	**264,283**

Land and buildings include certain property at Hamala, Kingdom of Bahrain with a carrying value of BD 56 (2014: BD 56) held as investment property for earning rentals or capital appreciation. The fair value of the property as at 31 December 2015 was BD 10,060 (2014: BD 10,060). The fair value of the property was determined in 2012 by a registered independent appraiser based on level 2 inputs having regard to recent market transactions for similar properties as the Company's property. There was no indication of impairment in value during 2015.

* During the year, the Group reassessed carrying value of a land in one of its subsidiaries, based on the estimated recoverable value and using level 2 inputs. This resulted in an impairment of BD 1,533 which was recognised during the year.

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For a list of properties owned and rented by the Company, please refer to note 31.

5 PROPERTY AND EQUIPMENT (continued)

31 December 2014	Land and buildings	Network assets & telecom equipment	Motor vehicles, furniture, fittings & office equipment	Assets under construction	Total 2014
Cost					
At 1 January	80,997	477,198	43,270	30,830	632,295
Additions	80	5,716	28	31,991	37,815
Projects completed	1,059	20,460	7,453	(28,972)	-
Acquisition through business combination	-	536	-	-	536
Disposals	(200)	(9,058)	(2,589)	(224)	(12,071)
Effect of movements in exchange rates	(232)	(1,943)	1,826	(353)	(702)
At 31 December	81,704	492,909	49,988	33,272	657,873
Depreciation					
At 1 January	48,769	282,990	33,386	-	365,145
Charge for the year	1,568	41,595	4,480	-	47,643
Disposals	(197)	(8,773)	(2,523)	-	(11,493)
Effect of movements in exchange rates	167	(1,003)	2,255	-	1,419
At 31 December	50,307	314,809	37,598	-	402,714
Net book value					
At 31 December 2014	31,397	178,100	12,390	33,272	255,159

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6 GOODWILL

	2015	2014
At 1 January	173,881	175,323
Exchange rate adjustments	(1,455)	(1,765)
Impairment charge during the year	(3,600)	-
Acquisition through business combination	-	323
	168,826	173,881

a) Analysis of Goodwill

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

	2015	2014
Jordan	121,354	125,036
Maldives	21,870	21,870
CIIM	17,985	18,649
Others	7,617	8,326
At 31 December	**168,826**	173,881

b) Impairment of Goodwill

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

(ii) The key assumptions for the fair values less costs to sell calculations are those relating to discount rates, the long term growth rates, penetration and market share assumptions, average revenues per user, earnings before interest, taxation, depreciation and amortisation ("EBITDA") and capital expenditure to sales ratio. These calculations use cash flow projections based on financial budgets approved by management, covering the period of the validity of the telecom license (typically 5 years). Cash flows are extrapolated using the estimated growth rates (range between 1% to 3%). The weighted average growth rates are consistent with forecasts. The pre-tax discount rates used for the calculations range between 9% to 17%.

(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 lower than its carrying value by BD 3.6 million and accordingly an impairment loss has been recognised in 2015 (2014: Nil) in respect of goodwill allocated to the Jordan CGU. For Maldives, CIIM and other locations, recoverable amounts exceed the carrying value by a significant range. Refer note on segment reporting (note 30) for details of net assets (including goodwill and intangibles) attributable to each CGU.

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7 OTHER INTANGIBLE ASSETS

31 December 2015	**Licenses**	**Other Intangibles**	**2015**
Cost			
At 1 January	132,442	91,291	223,733
Additions during the year *	40,205	3,532	43,737
Disposals during the year	-	(167)	(167)
Effect of movements in exchange rates	(2,539)	(1,675)	(4,214)
At 31 December	**170,108**	**92,981**	**263,089**
Amortisation			
At 1 January	38,523	43,398	81,921
Charge for the year	9,028	10,310	19,338
Regrouping	65	(65)	-
Disposals during the year	(2)	(150)	(152)
Effect of movements in exchange rates	(544)	(584)	(1,128)
At 31 December	**47,070**	**52,909**	**99,979**
Net book value			
At 31 December 2015	**123,038**	**40,072**	**163,110**

31 December 2014	Licenses	Other Intangibles	2014
Cost			
At 1 January	135,162	92,276	227,438
Additions during the year	-	2,196	2,196
Acquisition through business combination	-	330	330
Disposals during the year	-	(1,803)	(1,803)
Effect of movements in exchange rates	(2,720)	(1,708)	(4,428)
At 31 December	132,442	91,291	223,733
Amortisation			
At 1 January	29,871	35,405	65,276
Charge for the year	9,183	10,203	19,386
Disposals during the year	-	(1,765)	(1,765)
Effect of movements in exchange rates	(531)	(445)	(976)
At 31 December	38,523	43,398	81,921
Net book value			
At 31 December 2014	93,919	47,893	141,812

* During the year Umniah Mobile Company acquired 4^{th} Generation frequency license for 15 years at a cost of BD 37.7 million.

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8 INVESTMENT IN ASSOCIATE

The Group has a 26.943% interest in Yemen Company for Mobile Telephony Y.S.C ("Sabafon") .The principal activities of the Company are to develop, install and operate GSM cellular telephone network and to sell cellular telephone services and accessories in Yemen. The Group's interest in Sabafon is accounted for using the equity method in the consolidated financial statements and the Group has determined that it has significant influence because it has representation on the board of investee. The following table analyses the carrying amount and share of profit during the year:

	2015	2014
At 1 January	75,793	76,043
Receipts from associate & other adjustment	-	(4,068)
Share of profit of associate (net)	531	3,818
At 31 December	**76,324**	75,793

The summarised aggregate financial information of the associate (unaudited and as of 30 November 2015; 2014: as of 30 November 2014) is as follows:

	2015	2014
Non-current assets	85,819	90,148
Current assets	86,469	71,194
Non-current liabilities	(70,218)	(77,682)
Current liabilities	(66,798)	(51,307)
Revenues	75,108	85,174
Net profit and total comprehensive income for the period	3,166	10,731
Dividends received by the Group	-	3,047

9 OTHER INVESTMENTS

	2015	2014
Available-for-sale investments:		
- Quoted equity securities (at fair value)	12,940	16,003
- Unquoted equity securities (at cost)	826	815
- Debt securities (at fair value)	34,831	18,648
	48,597	35,466

Quoted equity securities represent market value of an equity investment in Etihad Atheeb Telecommunications Company ("the investee"). In 2015, the Group recognised impairment loss of BD 3.1 million as a result of significant decline in fair value of the investment in the statement of profit or loss.

In 2015, the Group invested BD 18.6 million (including commission costs) in Bahrain Sovereign Bonds. These bonds will mature in 2020 and carry a fixed semi-annual coupon interest of 5.5% per annum on the face value.

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10 TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables	77,036	92,269
Less impairment allowance	(28,539)	(24,331)
	48,497	67,938
Unbilled revenue	4,162	7,397
Prepaid expenses and other receivables	57,499	42,928
	110,158	118,263

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

	2015	2014
Customers' accounts	36,992	48,934
Telecommunications operators	11,505	19,004
	48,497	67,938

The ageing of trade receivables at the reporting date was as follows:

	2015	2014
Neither past due nor impaired	10,089	19,484
Overdue:		
- Up to 90 days	25,291	16,621
- 91-365 days	18,728	22,417
- More than 365 days	22,928	33,747
Gross trade receivables	77,036	92,269
Impairment provision	(28,539)	(24,331)
Net trade receivables	**48,497**	67,938

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

The movement in the allowance for impairment was as follows:

	2015	2014
At 1 January	24,331	24,273
Acquisition through business combination	-	20
Impairment loss recognised during the year (Note 21)	3,983	4,448
Effect of movements in exchange rates	442	(210)
Written off during the year	(217)	(4,200)
At 31 December	**28,539**	24,331

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11 CASH AND BANK BALANCES

	2015	2014
Cash in hand	328	395
Cash at bank	159,634	149,790
Cash and bank balances	**159,962**	150,185

Cash and bank balances include BD 56,898 (2014: BD 54,453) on account of short-term deposits with maturities exceeding three months and unclaimed dividends. These have been excluded for the purposes of statement of cash flows.

12 TRADE AND OTHER PAYABLES

	2015	2014
Trade payables	45,793	33,495
Amounts due to telecommunications operators	12,072	17,535
Provisions, accrued expenses and other payables	100,287	100,120
Customer deposits and billings in advance	25,583	23,984
Current tax liability	3,018	5,485
	186,753	180,619

Trade and other payables are classified as follows:

	2015	2014
Current liabilities	181,743	175,921
Non-current liabilities	5,010	4,698
	186,753	180,619

13 PROVISIONS

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

	Employee redundancy/ restructuring program		**Donations**		**Asset retirement obligation**	
	2015	2014	**2015**	2014	**2015**	**2014**
At 1 January	-	701	3,121	3,096	3,128	2,999
Amounts provided during the year	-	-	1,042	1,090	217	129
Amounts paid during the year	-	(701)	(1,387)	(1,065)	-	-
At 31 December	**-**	**-**	**2,776**	3,121	**3,345**	3,128

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14 INCOME TAXES

Amounts recognised in profit or loss for the year

	2015	2014
Current tax expense	5,793	8,936
Deferred tax expense	(3,916)	(2,765)
Tax expense for the year	**1,877**	6,171

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 % (2014: 0 %). The table below reconciles the difference between the expected tax expense of nil (2014: 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

	2015	2014
Profit before tax	**58,722**	63,559
Corporation tax rate of 0 % in Bahrain (2014: 0 %)	**-**	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,877	6,171
Tax expense for the year	**1,877**	6,171
Profit after tax for the year	**56,845**	57,388

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

		2015	2014
At 1 January		22,577	25,875
Credit to the consolidated income statement		(3,916)	(2,765)
Credit to the equity	(Note 24)	(39)	(186)
Exchange differences		573	(347)
At 31 December		**19,195**	22,577

The recognised deferred tax asset of BD 4,905 (2014: BD 3,733) is attributable to the temporary differences related to Group's operations in Jordan and Guernsey jurisdictions.

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15 LOANS AND BORROWINGS

		2015	2014
a) Current			
The Housing Bank for Trade & Finance	*(i)*	3,512	-
		3,512	-
b) Non-current			
Bonds	*(iii)*	176,826	176,523
The Housing Bank for Trade & Finance	*(i)*	45,643	-
		222,469	176,523
		225,981	176,523

(i) This long term loan facility with a total available amount of BD 58.5 million (of which BD 49.2 million drawn as of 31 December 2015) 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. As at 31 December 2015, BD3.5 million of the outstanding amount was classified under current liabilities being due within the next 12 months.

(ii) Current loans and borrowings also include an overdraft facility with a total available amount of BD 4.5 million of which BD nil has been utilised. The facility bears an interest rate of PLR – 3.35% per annum.

(iii) This represents bonds with a face value of BD 178.3 million. The bonds are listed for trading in the Irish Stock Exchange. The bonds have a tenor of 7 years, are unsecured and were priced at 325 points over 7 years US Treasuries, for a coupon of 4.250% payable semi-annually.

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16 SHARE CAPITAL

	2015	2014
a) Authorised		
2,000 (2014: 2,000) million shares of 100 fils each	**200,000**	200,000
b) Issued and fully paid:		
1,663 (2014: 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	341,878	20

- Distribution schedule of equity shares:

Categories	Number of shares (thousands)	Number of shareholders	% of total outstanding shares
Less than 1 %	268,462	10,856	16
1 % up to less than 5 %	110,380	3	7
5 % up to less than 10 %	-	-	-
10 % up to less than 20 %	-	-	-
20 % up to less than 50 %	1,284,358	3	77
	1,663,200	**10,862**	**100**

17 STATUTORY AND GENERAL RESERVE

a) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires all companies incorporated in Bahrain to transfer 10 % of net profit for the year to a statutory reserve, until such reserve reaches a minimum of 50 % of the paid-up capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law 2001.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 is not available for distribution except in circumstances stipulated by the law in the respective country of incorporation.

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17 STATUTORY AND GENERAL RESERVE (continued)

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 2015 by the shareholders of the Company. The general assembly of Umniah in their meeting held on 1 June 2015 approved appropriation from general reserve of BD 597 of which Group's share was BD 574.

18 DIVIDENDS

The dividends paid in 2015 and 2014 were BD 41.6 million (25 Fils per share) and BD 32.4 million (20 Fils per share) respectively. The dividends paid in 2015 include an amount of BD 24.9 million relating to the final dividend for the year ended 31 December 2014 and interim dividend of BD 16.6 million for the year 2015. The total dividend in respect of the year ended 31 December 2015 of 25 Fils per share, amounting to BD 41.6 million (including final dividend of BD 24.9 million) was proposed by the Board of Directors and is to be put forward for approval at the Annual General Meeting on 21 March 2016. These financial statements do not reflect the final dividend payable.

19 REVENUE

	2015	2014
Mobile telecommunications services	182,504	193,840
Data communication circuits	60,616	60,976
Internet	47,020	48,305
Wholesale	34,725	37,931
Fixed line telecommunication services	26,802	28,955
Others	20,761	19,649
	372,428	389,656

20 NETWORK OPERATING EXPENSES

	2015	2014
Outpayments to telecommunications operators	53,942	57,069
Cost of sales of equipment and services	43,392	39,890
Repair, maintenance & other direct cost	20,183	22,415
License fee	9,817	10,274
Operating lease rentals	8,918	9,471
	136,252	139,119

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21 OTHER OPERATING EXPENSES

	2015	2014
Marketing, advertising and publicity	14,189	13,971
Impairment allowances for trade receivables	3,983	4,448
Professional fees	3,765	3,787
Office rental and utilities	4,535	4,536
Other expenses	18,754	23,314
	45,226	50,056

22 FINANCE AND OTHER INCOME

	2015	2014
Rental income	230	232
Interest income	1,821	1,485
Others	4,487	7,409
	6,538	9,126

23 FINANCE AND OTHER EXPENSES

These include interest charges of BD 8,942 (2014: BD 8,642) during the year in relation to the Group's loan and borrowings.

24 POST-EMPLOYMENT BENEFIT ASSETS

The Group's contributions in respect of local employees against their pension rights and other social benefits amounted to BD 4.3 million (2014: BD 4.1 million). The provision for leaving indemnity in respect of expatriate employees amounted to BD 3.4 million (2014: BD 3.3 million) and is included under provisions and accrued expenses.

a) Defined benefit scheme

At 31 December 2015, 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.

During 2015, the Company offered enhanced transfer values to the scheme members to encourage them to take their scheme benefits out of the scheme. 102 members of the scheme availed this offer. This gave rise to the recognition of a net settlement credit of BD 4,095 during the year, which is included in staff costs.

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24 EMPLOYEE BENEFIT ASSETS (continued)

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

	2015			2014		
	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	45,251	45,440	(189)	44,405	(43,949)	456
Included in profit or loss						
Current service cost	-	-	-	653	-	653
Interest costs/ (income)	663	897	(234)	1,968	(1,966)	2
Expense Costs	-	(159)	159	-	273	273
Past service credit	-	-	-	(1,881)	-	(1,881)
Settlement credit	(27,646)	(23,551)	(4,095)	79	-	79
	(26,983)	**(22,813)**	**(4,170)**	819	(1,693)	(874)
Included in OCI						
Remeasurement loss/(gain)						
Actuarial changes arising from						
- demographic assumptions	-	-	-	996	-	996
- financial assumptions	1,941	-	1,941	3,698	-	3,698
- experience adjustments	(1,050)	-	(1,050)	(515)	-	(515)
Return on plan assets excluding interest income	-	(1,460)	1,460	-	(3,123)	(3,123)
Effect of movements in exchange rates	(1,736)	(1,743)	7	(2,733)	2,746	13
	(845)	**(3,203)**	**2,358**	1,446	(377)	1,069
Other						
Contributions paid by the employer	-	2,209	(2,209)	-	(840)	(840)
Benefits paid	(1,159)	(1,159)	-	(1,534)	1,534	-
Employee contributions	-	-	-	115	(115)	-
At 31 December	**16,264**	**20,474**	**(4,210)**	45,251	(45,440)	(189)

The deferred tax on amounts included in OCI was BD 39 (2014:186)

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

	2015	2014
Employer's part of current service cost	-	653
Interest (income)/costs on benefit obligation	(234)	2
Expense cost	159	273
Past service credit	-	(1,881)
Settlement (credit)/cost	(4,095)	79
	(4,170)	(874)

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24 EMPLOYEE BENEFIT ASSETS (continued)

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

	2015	2014
Equities	5,706	6,248
Bonds	9,316	11,549
Diversified growth fund	5,410	6,431
Others	42	21,212
	20,474	45,440

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

Assumptions	**2015**	2014
Price inflation	**3.3%**	3.5%
Discount rate	**3.7%**	3.8%
Pension increases	**3.3%**	3.5%
Life expectancy of male aged 60 in 2015	**28.0**	27.8
Life expectancy of male aged 60 in 2035	**30.4**	30.3

25 EARNINGS PER SHARE ("EPS")

	2015	2014
Profit for the year attributable to equity holders of the Company	**49,512**	49,347
Weighted average number of shares outstanding during the year (in million)	**1,663**	1,663
Basic earnings per share (Fils)	**29.8**	29.7

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

26 COMMITMENTS AND CONTINGENCIES

a) Guarantees

(i) As at 31 December 2015, the Group's banks have issued guarantees, amounting to BD 4.9 million (2014: BD 7.3 million) and letters of credit amounting to BD 1 million (2014: 8.1 million).

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26 COMMITMENTS AND CONTINGENCIES (continued)

(ii) The Company has furnished a guarantee for BD 4.4 million (2014: BD 5.1 million) to a bank for extending credit facilities to an investee company in Kingdom of Saudi Arabia.

(iii) The Company has furnished a comfort letter for BD 1.9 million (2014: BD 1.9 million) to Telecommunications Regulatory Commission, Jordan for providing a financial guarantee for the subsidiary companies operating in Jordan.

b) Operating leases

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

	2015	2014
Future minimum lease payments		
Within one year	2,733	3,741
After one year but not more than five years	15,927	14,555
	18,660	18,296

c) 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% (2014: 75 %) of the loan interest. At 31 December 2015, the Company has an outstanding guarantee of BD 1.1 million (2014: BD 1.3 million) towards housing loans to staff.

d) Commitments

The Group has capital commitments at 31 December 2015 amounting to BD 28.4 million (2014: BD 15.8 million).

e) 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 (2014: BD 5.9 million).

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27 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:

	2015		2014	
Entity	**QualityNet**	**Dhiraagu**	QualityNet	Dhiraagu
NCI Share	**10%**	**48 %**	10 %	48 %
Non-current assets (excluding goodwill)	7,811	82,463	9,985	85,843
Current assets	25,713	32,864	22,995	28,832
Non-current liabilities	(1,664)	(8,239)	-	(8,568)
Current liabilities	(26,385)	(18,540)	(24,385)	(14,432)
Net assets	**5,475**	**88,548**	8,595	91,675
Carrying amount of NCI	**547**	**42,503**	859	44,004
Revenue	26,044	55,640	26,107	51,790
Profit & total comprehensive income	**1,398**	**14,617**	5,449	14,082
Profit allocated to NCI	**140**	**7,016**	1,044	6,759
Cash flows from operating activities	5,158	29,266	2,988	26,240
Cash flows from investing activities	(876)	(6,989)	(1,440)	(4,942)
Cash flows from financing activities, before dividends to NCI	-	(1,016)	-	(1,354)
Cash flows from financing activities - cash dividends to NCI	-	(17,759)	(595)	(9,117)
Net increase in cash and cash equivalents	**4,282**	**3,502**	953	10,827

28 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 material.

(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:

	2015	2014
Short-term employee benefits	1,740	1,923
Post-employment benefits	222	72
Total key management personnel compensation	**1,962**	1,995

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28 TRANSACTIONS WITH RELATED PARTIES (continued)

	2015	2014
Post-employment benefits outstanding	**222**	192
Directors remuneration (including sitting fees)	**704**	711

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

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

	2015	2014
Total number of shares held by Directors	**729,427**	729,367
As a percentage of the total number of shares issued	**0.04%**	0.04%

29 COMPARATIVES

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

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30 SEGMENT INFORMATION

Operating segments
The Group's operations are segregated between Bahrain, Jordan, Maldives, CIIM and Others. Others include South Atlantic, Diego Garcia, Kuwait, Yemen and Egypt. Segment information disclosed for the year ended 31 December 2015 is as follows:

	Year ended 31 December 2015							Year ended 31 December 2014						
Segment revenue & profit	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter-segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter-segment elimination	Total
Revenue (external customers)	154,334	78,306	55,637	49,322	34,829	-	**372,428**	163,904	87,534	51,785	51,664	34,769	-	389,656
Inter segment revenues	2,350	991	3	-	2,144	(5,488)	**-**	4,093	2,291	5	-	2,235	(8,624)	-
Finance and other income	12,657	157	458	171	2,220	(9,125)	**6,538**	4,200	319	425	64	5,750	(1,632)	9,126
Depreciation and amortisation	22,891	18,316	12,233	9,631	4,718	-	**67,789**	22,198	17,191	12,091	10,415	5,134	-	67,029
Impairment of goodwill	-	3,600	-	-	-	-	**3,600**	-	-	-	-	-	-	-
Finance and other expenses	7,965	1,442	1,119	414	1,533	(631)	**11,842**	8,509	1,567	1,235	-	59	(1,062)	10,308
Share of profit of associate	-	-	-	-	531	-	**531**	-	-	-	-	3,818	-	3,818
Profit for the year	37,347	676	14,617	6,658	(3,751)	1,298	**56,845**	37,832	8,094	14,082	1,958	(4,380)	(198)	57,388

	As at 31 December 2015							As at 31 December 2014						
Segment assets & liabilities	**Bahrain**	**Jordan**	**Maldives**	**CIIM**	**Others**	**Inter - segment elimination**	**Total**	Bahrain	Jordan	Maldives	CIIM	Others	Inter - segment elimination	Total
Non-current assets	165,221	260,270	104,332	95,503	125,186	(20,257)	**730,255**	151,266	220,905	107,713	96,489	124,013	(14,353)	686,033
Current assets	183,797	15,486	32,864	14,353	46,900	(18,673)	**274,727**	174,978	16,878	28,832	14,971	107,638	(70,553)	272,744
Total assets	**349,018**	**275,756**	**137,196**	**109,856**	**172,086**	**(38,930)**	**1,004,982**	326,244	237,783	136,545	111,460	231,651	(84,906)	958,777
Current liabilities	126,420	54,471	18,540	8,753	28,742	(51,671)	**185,255**	101,831	56,885	14,432	7,911	31,309	(36,447)	175,921
Non-current liabilities	176,826	47,558	8,239	7,600	6,451	-	**246,674**	176,524	2,498	8,568	9,154	44,754	(37,700)	203,798
Total liabilities	**303,246**	**102,029**	**26,779**	**16,353**	**35,193**	**(51,671)**	**431,929**	278,355	59,383	23,000	17,065	76,063	(74,147))	379,719

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

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