VIVA Bahrain B.S.C. (c)

Consolidated financial statements for the year ended 31 December 2018

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Commercial registration no.	71117 obtained on 1 March 2009
Directors	Abdullah Al Zmame – Chairman Faisal Al Saber Moaeed H. Alyami Abdullah Alowini Abdullah Al Zamel Dr. Yahya Al Jabr
Chief Executive Officer (A)	Mohammed Alkhushail
Head office and registered office	Viva Tower 15 Road 68, PO Box 21529 Seef District Manama Kingdom of Bahrain
Bankers	HSBC Bank Middle East Ahli United Bank Standard Chartered Bank Bank of Bahrain and Kuwait National Bank of Bahrain National Bank of Kuwait Kuwait Finance House Bahrain Islamic Bank Al Salam Bank Al Baraka Bank
Auditors	BDO 17th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain

VIVA Bahrain (VIVA) has been operating in the Kingdom of Bahrain as an integrated communications service provider since March 2010. 2018 marked VIVA's 9th year of operations in which the company achieved many milestones and enjoyed strong financial and commercial performance.

At the end of 2017 VIVA had completed the acquisition of Mena Telecom – a broadband player with a very strong presence in the home and SME segments. In the first half of 2018, VIVA completed the end-to-end post-acquisition integration of Mena Telecom – absorbing the entire operations within VIVA's own operations and merging the two networks into one best in class TDD/FDD joint network. The highly complex integration exercise was completed ahead of schedule and the cutover executed smoothly with no outages and minimal customer impact.

In line with its strategic bet of entering into adjacent business, VIVA launched its FinTech proposition in 2018. VIVA Cash, a mobile wallet that offers retail payments, international remittance and domestic peer-to-peer transfer services. Today VIVA Cash has more than 50K activated subscribers and the largest retail merchant network in the country with close to 1,800 live merchants including Carrefour, Ikea and the Al Shaya group.

On the core telecom front, as the market leader in the consumer segment, VIVA's focus has been on consolidating its leadership position while at the same time exploring new avenues for growth. In 2018, VIVA made significant strides in growing its market share in Postpaid, while on Prepaid, VIVA continued offering its subscribers the best value for money and maintained its leadership position in the market despite the challenges faced with the implementation of the SIM registration regulation. On broadband, VIVA has been able to capture a good share of the market through dedicated focus on home broadband segment and tailoring its product portfolio based on their needs. VIVA also remained at the forefront of innovation during the year by continuing to bring the latest in technology to the Bahraini market and offering unique products to its valued customers.

In 2018, VIVA made significant strides in positioning itself as a leading Business Solutions provider by launching its own Cyber Security operation centre. Furthermore, VIVA expanded its cloud services portfolio by introducing internet security & backup as a service. These initiatives resulted in a strong revenue growth of 41% in Business revenues. On the Wholesale front, VIVA created a new revenue stream by launching Wholesale managed services, innovative new products and entering into the Application to Peer (A2P) market. VIVA also successfully completed several initiatives on the roaming front leading to an improvement in roaming margins as well as customer experience. On the Technology side, VIVA was the first operator in Bahrain to showcase 5G services and preparations for 5G commercial launch were initiated with massive MIMO roll-out on 50+ sites. Several other network expansion and enhancement initiatives were completed and as a result, VIVA won the Speedtest's Fastest Network Speed award for the second year in a row. Additionally, VIVA embarked on a digital transformation journey and implemented several enhancements across its customer touchpoints/channels with the aim of improving and digitizing customer experience.

Overall, VIVA achieved yet another year of strong financial performance with BD 149.7M in revenues and Net Income of BD 11.9M – a margin of 8%.

In 2019, VIVA's focus will be to maintain its leadership in the Consumer and Wholesale segments and continue to expand the Business segment. In addition to growing the top line, VIVA will also strive to further improve margins by focusing on profitable revenue streams and ensuring lean and efficient operations across all areas of the business. VIVA will continue to uphold its strong commitment to infrastructure investment mainly by launching 5G and also strive towards enhancing customer experience through digitizing internal and external capabilities to ensure the best experience for our valued customers.

Mohammed Alkhushail
Chief Executive Officer (A)
27 March 2019

The Board of Directors have pleasure in submitting the audited consolidated financial statements of Viva Bahrain B.S.C. (c) ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2018.

Principal activities and review of business developments

The principal activity of the Group is to provide telecommunications services throughout the Kingdom of Bahrain.

	Financial highlights (in BD '000)
	Year ended
	31 December 2018
Total operating revenues	149,689
Total operating expenses	136,652
Net profit from operations	13,037
Cost of financing	3,011
Net profit for the year	11,905
Total equity	100,278

Dividend

The Board of Directors did not propose to pay dividend to the shareholders for the year ended 31 December 2018 (2017: BD5,000,000). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, last year's proposed dividend was only accounted for in 2018.

Directors

The following are the serving directors of the Group as on 31 December 2018:

1) Abdullah Al Zmame – Chairman
2) Faisal Al Saber
3) Moaeed Alyami
4) Abdullah Al Zamil
5) Abdullah Alowini
6) Dr. Yahya Al Jabr

Representation and audit

The Group's activities for the year ended 31 December 2018 have been conducted in accordance with the Bahrain Commercial Companies Law, Decree Number 21 of 2001, and other relevant statutes of the Kingdom of Bahrain.

The Group has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, BDO.

Signed on behalf of the Board:

Chairman **Director**

Independent auditor’s report to the shareholders of VIVA Bahrain B.S.C. (c)

Opinion

We have audited the financial statements of VIVA Bahrain B.S.C. (c) (“the Company”) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders’ equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Code of Ethics for Professional Accountants (“IESBA Code”) issued by International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Chief Executive Officer’s report, Directors’ report and the Corporate Governance report but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance (“TCWG”) for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged With Governance, are responsible for overseeing the Group’s financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report to the shareholders of VIVA Bahrain B.S.C. (c) (continued)

Report on other legal and regulatory requirements

Further, as required by the Bahrain Commercial Companies Law, Decree Number 21 of 2001, in respect of the Company, we report that:

(1) we have obtained all the information we considered necessary for the purpose of our audit;
(2) the Company has carried out stock-taking in accordance with recognised procedures, has maintained proper books of account and the consolidated financial statements are in agreement therewith; and
(3) the financial information included in the Chief Executive Officer's and Directors' report are consistent with the books of account.

In addition, we report that, nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Bahrain Commercial Companies Law, Decree Number 21 of 2001, its Memorandum and Article of Association, which would materially affect its activities or its financial position as at 31 December 2018.

Manama, Kingdom of Bahrain
27 March 2019

VIVA Bahrain B.S.C. (c)
Consolidated statement of financial position as at 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	31 December 2018	31 December 2017 (As restated)	1 January 2017 (As restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	73,430,734	67,188,086	67,900,598
Capital work-in-progress	7	4,595,734	4,458,930	3,268,388
Intangible assets	8	77,204,093	70,564,196	74,086,596
Right-of-use assets	9	10,647,995	-	-
Deferred arrangement fees		-	-	359,479
Advance for acquisition of subsidiary company		-	14,606,695	-
		165,878,556	156,817,907	145,615,061
Current assets				
Inventories	10	5,470,135	5,583,800	2,294,530
Trade and other receivables	11	54,541,683	36,878,216	30,481,972
Murabaha deposits		2,500,000	-	10,000,000
Cash and cash equivalents	12	10,697,146	10,817,052	5,588,888
		73,208,964	53,279,068	48,365,390
Total assets		239,087,520	210,096,975	193,980,451
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	13	75,000,000	75,000,000	75,000,000
Statutory reserve	14	7,064,275	5,877,723	4,527,830
Retained earnings		18,174,479	12,495,509	2,153,042
		100,277,797	93,373,232	81,680,872
Non-current liabilities				
Derivatives at fair value	15	188,098	316,059	735,034
Non-current portion of Murabaha and Mudarabah facilities	16	59,868,707	60,968,694	8,627,436
Non-current portion of lease liabilities	17	5,055,972	-	-
Employees' terminal benefits	18	1,077,759	869,644	720,572
		66,190,536	62,154,397	10,083,042
Current liabilities				
Current portion of Murabaha and Mudarabah facilities	16	8,802,093	539,250	37,485,250
Current portion of lease liabilities	17	7,934,997	-	-
Current portion of license fees payable		-	-	1,940,281
Amounts due to related parties	19	4,407,017	11,548,969	9,787,159
Trade and other payables	20	51,475,080	42,481,127	53,003,847
		72,619,187	54,569,346	102,216,537
Total equity and liabilities		239,087,520	210,096,975	193,980,451

These consolidated financial statements, set out on pages 8 to 46, were approved and authorised for issue by the Board of Directors on 27 March 2019 and signed on its behalf by:

Chairman Director

VIVA Bahrain B.S.C. (c)
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	31 December 2018	31 December 2017
Revenue	21	149,688,771	136,863,890
Cost of sales	22	(64,232,516)	(64,643,998)
Gross profit		85,456,255	72,219,892
Operating expenses			
General and administrative expenses	23	(39,915,853)	(36,173,538)
Selling and distribution expenses	24	(4,170,621)	(4,480,333)
Amortisation of intangible assets	8	(4,275,405)	(3,522,400)
Amortisation of cost to fulfill a contract	11	(1,863,301)	(2,326,559)
Amortisation of right-of-use assets	9	(6,771,589)	-
Depreciation	6	(15,422,819)	(13,648,344)
		(72,419,588)	(60,151,174)
Net profit from operations		13,036,667	12,068,718
Gain on bargain purchase	32	1,634,891	-
Finance costs		(3,010,908)	(916,904)
Foreign exchange and other losses		(7,779)	(993)
Fair value gain on derivatives	15	127,961	418,975
Profit on Murabaha deposits		123,733	122,564
		(1,132,102)	(376,358)
Net profit for the year		11,904,565	11,692,360
Earnings before interest, tax, depreciation and amortization ("EBITDA")		41,369,781	31,566,021
Earnings per share	26	15.87fils	15.59fils

These consolidated financial statements, set out on pages 8 to 46, were approved and authorised for issue by the Board of Directors on 27 March 2019 and signed on its behalf by:

Chairman

Director

VIVA Bahrain B.S.C. (c)
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2018
(Expressed in Bahrain Dinars)

	Share capital	Statutory reserve	Retained earnings	Total
At 31 December 2016 (As previously reported)	75,000,000	4,527,830	1,050,769	80,578,599
Effect of restatement on adoption of IFRS 9 (Note 35)	-	-	(1,738,715)	(1,738,715)
Effect of restatement on adoption of IFRS 15 (Note 35)	-	-	2,840,988	2,840,988
At 1 January 2017 (As restated)	75,000,000	4,527,830	2,153,042	81,680,872
Net profit for the period (previously reported)	-	-	13,498,928	13,498,928
Effect of restatement on adoption of IFRS 9 (Note 35)	-	-	28,907	28,907
Effect of restatement on adoption of IFRS 15 (Note 35)	-	-	(1,835,475)	(1,835,475)
Net profit for the year (previously reported)	-	-	11,692,360	11,692,360
Transferred to statutory reserve	-	1,349,893	(1,349,893)	-
At 31 December 2017 (As restated)	75,000,000	5,877,723	12,495,509	93,373,232
Dividend paid for the year 2017	-	-	(5,000,000)	(5,000,000)
Net profit for the year	-	-	11,904,565	11,904,565
Transferred to statutory reserve	-	1,190,457	(1,190,457)	-
At 31 December 2018	75,000,000	7,068,180	18,209,617	100,277,797

VIVA Bahrain B.S.C. (c)
Consolidated statement of cash flows for the year ended at 31 December 2018
(Expressed in Bahrain Dinars)

	Notes	31 December 2018	31 December 2017
Operating activities			
Net profit for the year		11,904,565	11,692,360
Adjustments for:			
Depreciation	6	15,422,819	13,648,344
Amortisation of intangible assets	8	4,275,405	3,522,400
Amortisation of cost to right-of-use assets		6,771,589	-
Amortisation of cost to fulfil a contract		1,863,301	2,326,559
Gain on disposal of property, plant and equipment		(543)	(57,000)
Termination in right-of-use assets	9	538,055	-
Finance costs		3,010,908	916,904
Fair value gain on derivatives	15	(127,961)	(418,975)
Provision for slow-moving inventories	10	10,656	11,626
Provision for impaired trade receivables	11	2,127,560	1,698,917
Changes in operating assets and liabilities:			
Inventories		103,009	(3,300,896)
Trade and other receivables		(21,354,321)	(10,421,720)
Trade and other payables		8,993,953	(9,980,424)
Deferred arrangement fees		-	359,479
Employees' terminal benefits, net		208,115	149,072
Amounts due to related parties		(7,141,952)	1,761,810
Net cash provided by operating activities		26,605,158	11,908,456
Investing activities			
Purchase of property, plant and equipment	6	(11,531,550)	(4,704,660)
Additions to capital work-in-progress	7	(10,577,985)	(9,979,337)
Additions in right-of-use assets	9	(17,957,639)	-
Proceeds from disposal of property, plant and equipment		7,800	72,327
Additions in intangible assets	8	(10,915,302)	-
Long-term advance paid for investment in subsidiary		14,606,695	(14,606,695)
Net funds (deposited in)/withdrawn from Murabaha deposits		(2,500,000)	10,000,000
Net cash used in investing activities		(38,867,981)	(19,218,365)
Financing activities			
Net movement in lease liabilities		12,990,969	-
Spectrum license fee paid		-	(1,940,281)
Net funds withdrawn from Murabaha facilities		7,162,856	15,395,258
Dividend paid		(5,000,000)	-
Finance costs paid		(3,010,908)	(916,904)
Net cash provided by financing activities		12,142,917	12,538,073
Net (decrease)/increase in cash and cash equivalents		(119,906)	5,228,164
Cash and cash equivalents, beginning of the year		10,817,052	5,588,888
Cash and cash equivalents, end of the year	12	10,697,146	10,817,052

Non-cash transactions

Movement in fair value of derivatives and adjustments made to property, plant & equipment were not included in the statement of cash flows as these are non-cash items.

1 Organisation and activities

VIVA Bahrain B.S.C. (c) ("the Company" or "VIVA") and its subsidiaries (collectively referred as "the Group"), is a closed shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 71117 obtained on 1 March 2009.

The principal activities of the Group are to provide telecommunications services, sale and trade of information and communication equipment, repair of communication equipment, data processing, hosting and related activities throughout the Kingdom of Bahrain. The operations of the Company are regulated in the Kingdom of Bahrain through the Telecommunication Regulatory Authority under legislative Decree No. 48 of 2002.

The Group is a 100% subsidiary of Saudi Telecom Company ("the Parent Company") which is also the ultimate controlling entity.

The registered office of the Group is in the Kingdom of Bahrain.

2 Structure of the Group

The structure of the Group is as follows:

Subsidiaries

Name of the subsidiary	Country of incorporation	Principal activities	Effective ownership interest as at 31 December 2018
Mena Telecom W.L.L. (CR – 51486)	Kingdom of Bahrain	Provision of wireless telephony services, value added and other telecommunication services to local and international customers	100%
Viva Tech S.P.C. (CR – 117921-1)	Kingdom of Bahrain	Selling and buying shares and securities for company's account only.	100%

The Company entered in to an agreement with Kuwait Finance House Bahrain B.S.C (c) ("KFH") on 14 December 2017 to acquire Mena Telecom W.L.L. ("the Acquiree" or "Mena"), through which the entire business of Mena Telecom was transferred to the Company by KFH on 3 January 2018. This acquisition was approved by Company's Board of Directors in their Board meeting held on 25 October 2017 (Note 32). The total assets and net profit for the year of Mena were extracted from its audited financial statements prepared for the year ended 31 December 2018.

An extraordinary general meeting of shareholders of Mena was held at 13 May 2018 in which their board resolved to liquidate the Company voluntarily and merge its assets and liabilities with VIVA effective from 1 June 2018. The customers of Mena were migrated to VIVA's system and profit and loss of Mena was reported in the books of VIVA from June 2018. VIVA received approval from Telecom Regulatory Authority ("the TRA") for the transfer of Mena's TRA License on 1 June 2018 and also transferred the intangible assets of Mena in VIVA's books. VIVA completed the process of migration for the remaining assets and liabilities of Mena in their books in November 2018.

VIVA Tech S.P.C. owns 0.1% shares of Mena as a nominee, and on behalf and the beneficial interest, of VIVA.

3 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and the requirements of the Bahrain Commercial Companies Law, Decree Number 21 of 2001.

Basis of presentation

The consolidated financial statements have been prepared using going concern assumption under the historical cost convention except for the derivatives which are carried at their fair values.

The consolidated financial statements have been presented in Bahrain Dinars (BD) which is the functional currency of the Group.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

The policies have been consistently applied to all the years presented, unless otherwise stated.

Improvements/amendments to IFRS/IAS 2014/2016 and 2015/2017 cycles

Improvements/amendments to IFRS issued in 2014/2016 and 2015/2017 cycles contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's annual audited financial statements beginning on or after 1 January 2018 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

3 Basis of preparation (continued)

Standards, amendments and interpretations effective and adopted in 2018

The following new standard, amendment to existing standard or interpretation to published standard is mandatory for the first time for the financial year beginning 1 January 2018 and has been adopted in the preparation of these consolidated financial statements:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018

On 24 July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how a Group should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires a Group to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. The Group has decided to apply IFRS 9 Financial instruments retrospectively with effect from 1 January 2017, which replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has applied an expected credit loss model to calculate impairment loss on its trade and other receivables (both current and non-current). The Group has disclosed the impact on adoption of IFRS 9 in Note 35 to the financial statements.

On 28 May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces two Standards, IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes the principles that a Group applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, a Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has decided to apply IFRS 15 Revenue from Contracts with Customers retrospectively with effect from 1 January 2018, making use of none of the practical expedient available. The Group has disclosed the impact on adoption of IFRS 15 in Note 35 to the financial statements.

Standards, amendments and interpretations issued and effective in 2018 but not relevant

The following new amendments to existing standard and interpretation to published standard is mandatory for accounting period beginning on or after 1 January 2018 or subsequent periods, but is not relevant to the Group's operations:

Standard or interpretation	Title	Effective for annual periods beginning on or after
IAS 28	Investments in associates	1 January 2018
IAS 40	Investment property	1 January 2018
IFRS 1	First-time adoption of International Financial Reporting Standards	1 January 2018
IFRS 2	Share-based payment	1 January 2018
IFRS 4	Insurance contracts	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018

3 Basis of preparation (continued)

Standards, improvements, amendments and interpretations issued but not yet effective in 2018

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2018. They have not been adopted in preparing the consolidated financial statements for the year ended 31 December 2018 and will or may have an effect on the entity's future consolidated financial statements. In all cases, the entity intends to apply these standards from application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income taxes	1 January 2019
IAS 19	Employee benefits	1 January 2019
IAS 23	Borrowing costs	1 January 2019
IAS 28	Investments in Associates and Joint Ventures	1 January 2019
IFRS 9	Financial instruments	1 January 2019
IFRS 3	Business combinations	1 January 2019
IFRS 11	Joint arrangements	1 January 2019
IFRS 16	Leases (adopted)	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

Standards, amendments and interpretations issued and early adopted in 2018

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	Leases (Early adopted from 1 January 2018)	1 January 2019

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases. As a result of early adoption of IFRS 16 the Group will recognise right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under previous accounting requirements the Group did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term, disclosing in its annual consolidated financial statements the total commitment.

The Group has implemented IFRS 16 as it is implementing IFRS 9 and 15 and intends to early adopt this standard from 1 January 2018 and therefore the Group has recognised leases on balance sheet as at 1 January 2018. In addition, it is also decided to measure right-of-use assets by reference to the measurement of the lease liability on that date.

In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Group will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its operating lease cost.

As a result of the early adoption of this standard, BD11,930,113 was recognised as right of use assets and BD14,924,670 was recognised as lease liabilities resulting in reduction in the prepayment and accrual by BD1,702,499 and BD4,697,056 respectively.

The Group did not early-adopt any other new or amended standards in 2018.

4 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented except for those changed due to adoption of IFRS 9, 15 and 16.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. Cost includes all costs directly attributable to bringing the asset to working condition for its intended use, including site dismantling and site restoration costs. Software that is integral to the functionality of the related equipment is capitalised as part of cost of that asset.

Depreciation commences when assets are available to use and is calculated using the straight-line method to write-off the cost of property, plant and equipment to their estimated residual values over their expected economic useful life as follows:

Building	25 years
Furniture and fixtures	5 years
Information technology equipment	5-7 years
Network equipment	5-15 years

Freehold land is not depreciated as it is deemed to have an infinite life.

Gains and losses resulting from the disposal/sale of property, plant and equipment are determined by comparing the proceeds with the book values of disposed-off/sold assets, and the gains or losses are included in the consolidated statement of profit or loss.

The asset’s residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognised prospectively as a change of accounting estimate.

Repairs and maintenance costs are expensed as incurred, except to the extent that they increase productivity or extend the useful life of an asset, in which case they are capitalised.

Capital work-in-progress

Capital work-in-progress represents expenditures incurred in setting up the infrastructure and other network development costs, which are capitalised when they are available to be put into commercial use. Depreciation on capital work-in-progress is not charged until such time as these assets are completed, transferred to the respective category of property, plant and equipment and put into commercial use.

4 Significant accounting policies (continued)

Right-of-use assets

As explained above in Note 3, the Group has implemented IFRS 16 as it is implementing IFRS 9 and 15 and intends to early adopt this standard from 1 January 2018 and therefore the Group has recognised a right-of-use assets and lease liability in the consolidated financial statements. In accordance with the transition provisions of IFRS 16, Instead of recognising an operating expense for its operating lease arrangements, the Group will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets.

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

The right-of-use asset is subsequently amortised using the straight line method from the commencement date to the earlier of the end of the useful life of the right use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of equipment and furniture. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Depreciation is calculated on a straight line basis over the estimated useful lives of the right of use assets is as follows:

GSM sites	1 to 13 years
Shop rentals	1 to 3 years
IP transit	1 to 2 years
Others	1 to 5 years

Lease liability

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

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

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

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

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

4 Significant accounting policies (continued)

Lease liability (continued)

The Group presents right of use assets that do not meet the definition of investment property in equipment and furniture and lease liabilities in loans and borrowings in the consolidated statement of financial position.

Intangible assets

Intangible assets are recorded if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the cost of such an asset can also be measured reliably.

Intangible assets acquired or developed by the Group are recognised at cost and are amortised starting from the date of service provisioning on a straight line basis over their remaining useful lives or statutory durations, whichever is shorter. Subsequent expenditure to the extent that it increases productivity or extend the useful life of an asset is capitalised.

In accordance with the Group's policy, the license fee is amortised using the straight line basis over the full twenty five years period, as the directors of the Group regard this period as the effective length of the license.

Other intangible assets comprise various licenses, customer relationship, dark fibre, power upgrade, key money deposits, etc and are amortised on a straight line basis over the term of the lease or its estimated useful life whichever is the shortest.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end. The effect of any adjustment to residual values, useful lives and methods is recognised prospectively as a change of accounting estimate.

Impairment of non-current assets

The Group reviews periodically non-current assets to determine whether they are impaired, whenever events or changes in circumstances indicate that. When such indications are present the recoverable amount of the asset should be estimated. If the recoverable amount of the asset cannot be determined individually, then the cash generating unit to which the asset relates is to be used instead. The excess of the carrying amount of the asset over its recoverable amount is treated as impairment in its value to be recognised in the consolidated statement of profit or loss of the period in which it occurs. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount will be reversed and recorded as income in the consolidated statement of profit or loss of the period in which such reversal is determined. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous financial periods.

Financial assets

The Group classifies its financial assets into loans and receivables only. This classification depends on the purpose for which the asset is acquired.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

4 Significant accounting policies (continued)

Loans and receivables (continued)

The Group's loans and receivables comprise trade and other receivables, Murabaha deposits and cash and cash equivalents in the consolidated statement of financial position.

Trade and other receivables

Trade and other receivables are carried at their anticipated realisable values. A provision is made for impaired trade receivables based on a review of all outstanding amounts at the year-end. Impaired trade receivables are written-off during the year in which they are identified.

IFRS 9 has fundamentally changed the loan loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The Group is required to record an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Group has established a policy to perform an assessment by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Group has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

Murabaha deposits

Murabaha deposits consists of fixed deposits held with Group's bankers with maturities of more than 90 days but less than 365 days and are carried at their anticipated realisable values.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and Murabaha deposits with maturities of 90 days or less from the acquisition date.

Financial liabilities

The financial liabilities of the Group consist of trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently remeasured at amortised cost using the effective interest method.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Murabaha facilities

Borrowings are recorded initially at fair value, less the attributable transaction costs. Subsequent to initial measurement these are recorded at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income when the obligation is discharged, cancelled or expired.

4 Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which is determined on the weighted average basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Where necessary, provision is made for obsolete and slow-moving inventories.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currency transactions and balances

Balances of monetary assets and liabilities denominated in foreign currencies of specific amounts are translated using rates of exchange prevailing at the date of the consolidated statement of financial position. Gains and losses arising on the settlement of foreign currency transactions, and unrealised gains and losses resulting from the translation to Bahraini Dinar of foreign currency denominated monetary balances are recorded in the consolidated statement of profit or loss. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligations can be reliably estimated.

Provisions for site dismantling

Provision for site dismantling and restoration exists where the Group has a legal and constructive obligation to remove an infrastructure asset and restore the site. Site dismantling and restorations costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the particular asset. The cash flows are discounted at a rate that reflects the risk specific to the site dismantling and restoration obligation.

Subsequent to initial recognition, an unwinding expense relating to the provision is recognised as a finance cost.

While the provision is based on the best estimate of future costs and the useful lives of infrastructure assets, there is uncertainty regarding both the amount and timing of incurrence of these costs. Any subsequent change in the present value of the estimated expenditure due to changes in the gross removal costs or discount rates is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to infrastructure assets.

4 Significant accounting policies (continued)

Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. In this case the Group does not recognize the contingent liabilities but discloses them in the consolidated financial statements.

Revenue recognition

IFRS 15 Revenue from Contracts with Customers, which was issued in May 2014, along with the subsequent amendments "Clarifications to IFRS 15" issued in April 2016 has effective since 1 January 2018. IFRS 15 established a five-step model to account for revenue arising from contracts with customers.

The core principle of IFRS 15 is that the entity should recognize revenue when the Group transfers the control of goods or services to the customers at the amount that reflects the consideration to which entity expects to be entitled in exchange of those goods and services.

The Group has adopted the new standard on the required effective date using the full retrospective method wherein the Group would adjust its consolidated financial statements for all contracts, including those completed at the beginning of the earliest period presented i.e. 1 January 2017.

This note explains the key accounting changes and principle adjustments made by the Group in restating the consolidated financial statements as at 1 January 2017.

Reconciliation of equity as at 1 January 2017 arising from the impact of adoption of IFRS 15 (if everything else remains constant) is as follows:

Particulars	As at 1 January 2017
Opening retained earnings	1,050,769
Impact arising from:	
Bundled packages	1,558,633
Activation fees	(77,554)
Costs to obtain the contracts	1,706,608
Others (Time allocation of service add-ons)	(346,699)
	2,840,988
Revised retained earnings on adoption of IFRS 15	3,891,757

Particulars	For the year ended 31 December 2017
Net profit for the period as per IAS 18	13,498,928
Impact arising from:	
Bundled packages	(1,220,391)
Activation fees	(114,626)
Termination penalty	382,009
Costs to obtain the contracts	(709,955)
Others (Time allocation of Service add-ons)	(172,512)
	1,835,475
Revised net profit for the period on adoption of IFRS 15	11,663,453

4 Significant accounting policies (continued)

Revenue recognition (continued)

Impact of bundled packages

In respect of the bundled packages, the Group has identified performance obligations for devices (e.g. mobile handsets, routers, etc.) and services (e.g. voice, data etc.). Revenue from devices is recognized at point in time and revenue from services is recognized over time. The transaction price (net of subsidy) is allocated based on respective standalone selling prices as against the current practice of allocation based on relative fair values. Further, any upfront revenue more than the billing, is recognized as “Contract Asset” in the consolidated statement of financial position.

Activation fees

Under current practice, activation fees are recognized as revenue upfront as and when billed to the customers. Under IFRS 15, activation fees does not provide any standalone benefit to the customers and accordingly, no separate performance obligation can be identified for the activities carried out as part of the activation. Hence, activation fees are amortised over the average customer life or contract period, as the case may be.

Termination penalty

As subscriber terminates the contract, there is no performance obligation remaining in the contract. Consideration that would be received as a termination penalty is non-refundable. Hence, termination penalty is recognized as income when the consideration is cash is collected from the customer as against current practice of recognizing on the date of billing.

Principal vs agent

Under current practice, based on the existence of credit risk and the nature of the consideration in the contract, the Group concluded that it has an exposure to the significant risks and rewards associated with the sale of services to its customers, and accounted for the contracts as if it is a principal. IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer. The Group has determined that it does not control the services before they are transferred to customers, and hence, is an agent rather than principal in these contracts.

Costs to obtain the contracts

Currently, the Group recognizes incremental cost incurred in acquiring a contract with customer as expense in period in which it is incurred. Under IFRS 15, such costs will be deferred and amortized over average customer life or contract period, as the case may be.

Administrative expenses

Administrative expenses represent all the operating expenses incurred by the Group that cannot be directly linked to the costs of services or selling and marketing expenses. They are expensed as incurred when it is not possible to determine the relevant benefiting periods. Otherwise, they are charged to the relevant periods.

4 Significant accounting policies (continued)

Employee's terminal benefits

a) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Post-employment benefits

Employee benefits and entitlements to annual leave, holiday, air passage and other short-term benefits are recognised as they accrue to the employees. The Group contributes to the pension scheme for Bahraini nationals administered by the Social Insurance Organisation in the Kingdom of Bahrain. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss in the year to which they relate. In respect of this plan, the Group has a legal obligation to pay the contributions as they fall due and no obligation exists to pay the future benefits.

The expatriate employees of the Group are paid leaving indemnity in accordance with the provisions of the Bahrain Labour Law. The Group accrues for its liability in this respect on an annual basis.

Transactions and balances with related parties

Related parties consist of the shareholders, the parent Group, the directors and businesses under their control. The Group's transactions with related parties are authorised by the management.

Trading transactions, where customers or suppliers are controlled or significantly influenced by the directors of the Group or the Parent Company, are conducted on an arm's length basis or on normal commercial terms.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

5 Critical accounting judgments, estimates and assumptions

Preparation of the financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of intangible assets and property, plant and equipment;
- economic useful lives of right of use assets;
- going concern;
- fair value measurement;
- allowance for impaired trade receivables and slow-moving inventories; and
- contingencies.

Economic useful life of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of profit or loss in specific periods.

The Group's property, plant and equipment are depreciated on a straight-line basis over their economic useful lives.

Economic useful lives of property, plant and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Economic useful life of right of use assets

Right of use assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of profit or loss in specific periods.

The Group's right of use assets are amortised on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Economic useful lives of right of use assets are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Going concern

The management of the Group reviews the financial position on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

5 Critical accounting judgments, estimates and assumptions (continued)

Fair value measurement

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)
Level 2: Observable direct or indirect inputs other than Level 1 inputs
Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Group that either require fair value measurements or only fair value disclosures as at 31 December 2018 are presented in Note 29.

Allowance for impaired trade receivables and slow-moving inventories

The Group creates an allowance for impaired trade receivables to account for estimated losses resulting from the inability of customers to make the required payments. At 31 December 2018, in the opinion of the management a provision of BD9,638,953 (2017: BD10,667,814) was required towards impaired trade receivables. IFRS 9 has fundamentally changed the loan loss impairment methodology. The standard has replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group is required to record an allowance for expected losses for all loans and other debt type financial assets not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Group has established a policy to perform an assessment by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate ECL, the Group has estimated the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

The Group also makes provision against the slow-moving inventories. At 31 December 2018, in the opinion of the management a provision of BD119,100 (2017: BD108,444) was required towards slow-moving inventories. When evaluating the provisioning norms for inventory, the management bases its estimate on overall conditions, ageing of the inventories, historical write-off experience, inventory requirements.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

6 Property, plant and equipment

	Freehold land	Building	Furniture and Fixtures	Information technology equipment	Network equipment	Total
Cost						
At 31 December 2016	5,676,770	9,719,977	4,738,056	28,941,145	92,465,970	141,541,918
Additions during the year	450,510	-	170,664	2,329,379	1,754,107	4,704,660
Transferred from capital work-in-progress (Note 7)	-	-	236,571	1,279,012	7,219,913	8,735,496
Cost adjustment*	-	-	-	-	(489,000)	(489,000)
Disposals	-	-	(65,166)	(16,645)	(86,890)	(168,701)
At 31 December 2017	6,127,280	9,719,977	5,080,125	32,532,891	100,864,100	154,324,373
On acquisition of a subsidiary (Note 32)	-	-	253,735	555,328	8,551,932	9,360,995
Additions during the year	-	-	76,552	900,206	1,193,797	2,170,555
Transferred from capital work-in-progress (Note 7)	-	-	448,744	1,992,503	7,999,934	10,441,181
Cost adjustment**	-	-	(8,682)	(73,090)	(218,235)	(300,007)
Disposals	-	-	(7,247)	(14,869)	(226,997)	(249,113)
At 31 December 2018	6,127,280	9,719,977	5,843,227	35,892,969	118,164,531	175,747,984
Accumulated depreciation						
At 31 December 2016	-	1,858,249	3,305,246	21,826,944	46,650,881	73,641,320
Charge for the year	-	388,799	599,718	3,245,441	9,602,983	13,836,941
On cost adjustment*	-	-	-	-	(188,597)	(188,597)
On disposals	-	-	(58,256)	(16,645)	(78,476)	(153,377)
At 31 December 2017	-	2,247,048	3,846,708	25,055,740	55,986,791	87,136,287
Charge for the year	-	388,799	612,220	3,436,290	11,142,844	15,580,153
On cost adjustment**	-	-	(5,596)	(61,495)	(90,243)	(157,334)
On disposals	-	-	(6,659)	(14,869)	(220,328)	(241,856)
At 31 December 2018	-	2,635,847	4,446,673	28,415,666	66,819,064	102,317,250
Net book value						
At 31 December 2018	6,127,280	7,084,130	1,396,554	7,477,303	51,345,467	73,430,734
At 31 December 2017	6,127,280	7,472,929	1,233,417	7,477,151	44,877,309	67,188,086

*During 2017, the Company has carried out settlements/credit notes with Huawei which have led to reversal of BD457,064 in cost and BD177,159 in depreciation expense and accumulated depreciation. The Company has also carried out negotiations with Business Management Company which resulted in reversals of BD31,936 in cost and BD11,438 in depreciation expense and accumulated depreciation.

**During the period 2018, the Company has carried out settlements which includes Huawei settlements amounting BD218,235 in cost and BD90,243 in depreciation expense and accumulated depreciation.

The Company's freehold land and building are pledged as security against the Murabaha facility from its bankers (Note 16).

7 Capital work-in-progress

	31 December 2018	31 December 2017
Opening balance	4,458,930	3,268,388
On acquisition of a subsidiary (Note 32)	148,351	-
Additions during the year	10,429,634	9,979,337
Transferred to property, plant and equipment (Note 6)	(10,441,181)	(8,735,496)
Cost adjustment*	-	(53,299)
Closing balance	4,595,734	4,458,930

Capital work-in-progress represents amounts incurred towards the infrastructural and other network development costs.

*In the year 2017, the Group has carried out settlements/credit notes with Huawei which have led to reversal of BD53,299 in capital work-in-progress.

8 Intangible assets

	Mobile license & spectrum fees	Other intangible Assets	Total
Cost			
At 31 December 2016 and 2017	96,388,405	2,184,359	98,572,764
On acquisition of a subsidiary (Note 32)	7,834,579	976,223	8,810,802
Additions during the year	-	2,104,500	2,104,500
At 31 December 2018	104,222,984	5,265,082	109,488,066
Accumulated amortisation			
At 31 December 2016	23,751,783	734,385	24,486,168
Amortisation for the year	3,339,615	182,785	3,522,400
At 31 December 2017	27,091,398	917,170	28,008,568
Amortisation for the year	3,899,228	376,177	4,275,405
At 31 December 2018	30,990,626	1,293,347	32,283,973
Net carrying value			
At 31 December 2018	73,232,358	3,971,735	77,204,093
At 31 December 2017	69,297,007	1,267,189	70,564,196

The license fees represent the amounts payable to the Telecommunication Regulatory Authority ("the TRA") to obtain a mobile operating license in the Kingdom of Bahrain (Note 16). The license which was issued on 1 March 2009 is valid for twenty five years up to year 2034, renewable after fifteen years at the option of the Group subject to compliance with regulatory requirements. During 2013, the Group was awarded additional spectrum and extension of the original mobile license by the TRA which are valid till the year 2038.

As disclosed in Note 2, VIVA Bahrain B.S.C. (c) received the approval from Telecom Regulatory Authority for the transfer of Mena Telecom W.L.L.'s TRA License on 1 June 2018 and also transferred the intangible assets of Mena Telecom W.L.L. in their books.

8 Intangible assets (continued)

The management carried out an impairment testing over the intangible assets as at year end and no impairment was observed.

The remaining amortisation period for intangible assets rounded to the nearest year is:

	31 December 2018	31 December 2017
License fees	15-19 years	20 years
Other intangible assets	8-13 years	8 years

9 Right-of-use asset

	GSM sties	Shop rentals	IP transit	Others	Total
Balance at 1 January (as restated)	7,962,629	803,146	2,156,210	1,008,128	11,930,113
On acquisition of a subsidiary (Note 32)	2,775,656	-	-	-	2,775,656
Additions	2,812,913	78,656	-	77,027	2,968,596
Termination	(538,055)				(538,055)
Amendments / Adjustments	284,946	3,885	(5,557)	-	283,274
Closing balance	13,298,089	885,687	2,150,653	1,085,155	17,419,584
Amortisation charge for the year	(4,387,124)	(458,790)	(1,358,307)	(567,368)	(6,771,589)
Balance at 31 December	8,910,965	426,897	792,346	517,787	10,647,995

10 Inventories

	31 December 2018	31 December 2017
Inventories	5,589,235	5,692,244
Allowance for slow-moving and obsolete inventories	(119,100)	(108,444)
	5,470,135	5,583,800

The inventories represent handsets, accessories, routers and SIM cards used in sales and promotions.

The movement in provision for slow-moving inventories is as follows:

	31 December 2018	31 December 2017
Opening balance	108,444	96,818
Increase in provision (Note 23)	10,656	11,626
Closing balance	119,100	108,444

11 Trade and other receivables

	31 December 2018	31 December 2017 (As restated)	1 January 2017 (As restated)
Trade receivables	38,192,636	30,929,882	21,865,405
Allowance for impaired trade receivables	(9,638,953)	(10,667,814)	(9,019,527)
	28,553,683	20,262,068	12,845,878
Unbilled instalments	16,800,026	11,652,934	11,325,306
Prepayments and other receivables	2,738,313	3,321,380	3,539,405
Cost to fulfil a contract	3,319,511	3,323,212	1,706,607
Amortisation of cost to fulfil a contract	(1,863,301)	(2,326,559)	-
	1,456,210	996,653	1,706,607
Advances to suppliers	4,993,451	419,815	303,818
Amounts due from a related party	-	225,366	-
Accrued profits on Murabaha deposits	-	-	760,958
	54,541,683	36,878,216	30,481,972

Trade receivables are generally on 30 days credit terms.

Unbilled instalments consist of the amount to be billed to customers in accordance with the terms of contracts.

For trade receivables, the Group has applied IFRS 9 simplified approach to measure the expected credit loss ("ECL") based on the lifetime expected loss excluding wholesale and Datacom receivables. The expected loss rates are based on the payment profiles of sales over a period of twenty four months before 31 December 2017 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has applied economic adjustment overlayed by applying Vasicek model using GDP growth as the relevant factor. The allowance as at 31 December 2018, 31 December 2017 and 1 January 2017 (on adoption of IFRS 9) was determined on these bases. The impairment loss determined using ECL model as at 31 December 2018 amounted to BD8,315,511.

For wholesale and Datacom receivables, the Group is calculated credit risk at a counterparty level. For wholesale receivables, the balances are settled on a net basis and can vary from month to month depending on the inbound and outbound traffic and the Group has never experienced any default or settlement issues arising due to credit risks of the counterparty. The Company has performed the assessment of the counterparties of wholesale receivables and determined the impairment loss amounting to BD1,323,442.

For Datacom, the Group also has receivables with the Government and likelihood of sovereign government default is remote unless there is a bill dispute raised by them. Datacom are also subject to the impairment requirements of IFRS 9 however, the identified impairment loss was immaterial.

11 Trade and other receivables (continued)

11.1 Transitional disclosure on adoption of IFRS 9

The following table summarises the impact of the new ECL model on the financial assets and liabilities of the Group on 1 January 2017, the Group's date of initial application of IFRS9.

	Impairment allowance
Closing balance under IAS 39 (31 December 2016)	7,165,848
Impact on recognition of Expected Credit Losses	
Increase due to expected credit losses under IFRS 9 for loans and receivables at amortised cost (Note 35)	1,853,679
Estimated adjusted opening balance under IFRS 9 on date of initial application of 1 January 2017	9,019,527

The movement in the allowance for impaired trade receivables is as follows:

	31 December 2018	31 December 2017 (As restated)	1 January 2017 (As restated)
Opening balance	10,667,814	9,019,527	9,019,527
On acquisition of a subsidiary (Note 32)	1,731,535		
Increase in allowance	2,127,560	1,698,917	-
Bad debts written off	(4,887,956)	(50,630)	-
Closing balance	9,638,953	10,667,814	9,019,527

12 Cash and cash equivalents

	31 December 2018	31 December 2017
Saving account balance with bank	1,907,280	1,769,069
Current account balances with banks	6,734,668	7,108,360
Cash on hand and in transit	2,055,198	1,939,623
	10,697,146	10,817,052

The saving account balances bears profit rate up to 3% (2017: 2.50%) and the current account balances with banks are non-profit bearing.

13 Share capital

	31 December 2018	31 December 2017
Authorised		
2,000,000,000 Ordinary shares with a nominal value of 100 fils each	200,000,000	200,000,000
Issued and fully paid-up		
750,000,000 Ordinary shares with a nominal value of 100 fils each	75,000,000	75,000,000

13 Share capital (continued)

A breakdown of the share capital and holding pattern of the Group is as set out below:

	Number of shares	Share capital	Percentage of ownership Interest
Saudi Telecom Company	742,500,000	74,250,000	99%
STC Gulf Investment Holding (wholly owned subsidiary of Saudi Telecom Company)	7,500,000	750,000	1%
	750,000,000	75,000,000	100%

14 Statutory reserve

Under the provisions of the Bahrain Commercial Companies Law, an amount equivalent to 10% of the Group's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time a minimum of 50% of the issued share capital is set aside. During the year, amount of BD1,186,552 has been transferred to the statutory reserve (2017: BD1,349,893).

15 Derivatives at fair value (continued)

The Group has entered into a Profit Rate Swaps (PRS) with Deutsche Bank and HSBC. As part of the hedging strategy, the Group has subscribed to the indices managed by the bankers of the Group and the fair values of these hedges have been based on the mark-to-market valuations performed at the statement of financial position date.

The movement in the fair value of the derivatives is given below:

	31 December 2018	31 December 2017
Opening balance	316,059	735,034
Fair value gain on derivatives	(127,961)	(418,975)
Closing balance	188,098	316,059

16 Murabaha and Mudarabah facilities

	Last installment	Note	31 December 2018	31 December 2017
Murabaha facilities				
Building Murabaha facility	31 December 2021	(a)	8,012,034	8,599,345
Syndicated Murabaha facility	20 May 2022	(b)	58,187,299	52,908,599
Mudarabah facilities				
Tamkeen Facility	30 November 2025	(c)	2,471,467	-
			68,670,800	61,507,944
Current portion of Murabaha and mudarabah facilities			(8,802,093)	(539,250)
Non-current portion of Murabaha and mudarabah facilities			59,868,707	60,968,694

16 Murabaha and mudarabah facilities (continued)

a. During 2012, the management had restructured all the Murabaha facilities with HSBC Bank over tenure of 9 years ending in the year 2021. Further in 2014, the Group had successfully renegotiated the profit rates which reduced the interbank offer rate plus a fixed margin in the range of 0.25% to 0.75% compared to 0.60% to 0.65% up to 16 July 2014. An amount of BD581,742 was paid upfront as an arrangement fee. This amount was recognised as deferred arrangement fee and is being amortised over the loan period. Murabaha facilities are partly secured against the Group's land and building (Note 5). A substantial portion of the Murabaha facilities has been hedged for profit rate risk. The semi-annual 27 installments of principal repayment of the Murabaha facilities started from the year 2014.

b. The Group has entered into a new financing arrangement, for Murahaba facility of BD84,836,250 (USD225 million), with its bankers during the month of June 2017. The facility ranks pari passu with the claims of other unsecured and unsubordinated creditors of the Group. This Murabaha facility has been obtained to finance the ongoing capital projects, partial refinance of HSBC facility, acquisition of telecom spectrum in Bahrain and payment of construction costs in respect of headquarters of the Group. The rate of interest and repayment terms of these term loans are based on the interbank offered rate plus a fixed margin rate of 1.6%. As at 31 December 2017, the Group has utilised BD53,164,050 (USD141 million) from this facility. Murabaha facilities are unsecured and are repayable in 14 quarterly installments of principal starting from the month June 2019.

c. During 2018, the Group has entered into a new financing arrangement for Tamkeen facility of BD2,500,000 with Al Salam Bank over tenure of 7 years ending in the year 2025. The facility ranks pari passu with the claims of other unsecured and unsubordinated creditors of the Group. This Mudaraba facility has been obtained to facilitate the financing of working capital requirement of the Group. The rate of interest and repayment term of these term loans, after the subsidy obtained from Tamkeen, is based on a fixed margin rate of 2.1% per annum. The monthly 84 installments of principal repayment of the Mudaraba facilities started from the month December 2018.

Subject to certain exceptions, materiality tests and carve-outs, the significant covenants of these facilities are as follows:

(i) restriction on financial indebtedness;
(ii) limitation on disposal of assets;
(iii) limitations on granting of loans and guarantees; and
(iv) limitations on related party transactions not on an arm's length basis.

Additional covenants under these loans relate to certain specific financial ratios and satisfaction of financial condition tests.

That portion of the Murabaha facilities which is repayable within one year from the statement of financial position date is disclosed as current portion of Murabaha facilities under current liabilities.

16 Murabaha and mudarabah facilities (continued)

IAS 7 "Statement of Cash Flows" that requires additional disclosures about changes in an entity's financing liabilities arising from both cash flow and non-cash flow items.

				Non-cash changes			
	1 January 2018	Cash Inflows	Cash outflows	Transaction cost	Foreign exchange Movements	Fair value changes	31 December 2018
	BD	BD	BD	BD	BD	BD	BD
Murabaha and mudarabah facilities	61,507,944	7,730,639	(567,783)	-	-	-	68,670,800
Murabaha Deposits	-	2,500,000	-	-	-	-	2,500,000
Derivatives at fair value	316,059	-	-	-	-	(127,961)	188,098

17 Lease liabilities

	31 December 2018
Lease liabilities	12,990,969
Less: Current lease liabilities	(7,934,997)
Non-current lease liabilities	5,055,972

Maturity analysis - contractual undiscounted cash flows:

	31 December 2018
Less than one year	8,110,308
One to five years	4,288,842
More than five years	1,326,141
Total undiscounted lease liabilities at 31 December	13,725,291

18 Employees' terminal benefits

Local employees

The contributions made by the Group towards the pension scheme for Bahraini nationals administered by the Social Insurance Organization in the Kingdom of Bahrain for the year ended 31 December 2018 amounted to BD439,653 (2017: BD363,873).

Expatriate employees

The movement in leaving indemnity liability applicable to the Group's expatriate employees is as follows:

	31 December 2018	31 December 2017
Opening balance	869,644	720,572
Payment during the year	(96,402)	(94,002)
Accruals for the year	304,517	243,074
Closing balance	1,077,759	869,644
Number of staff employed by the Group	249	231

19 Amount due to related parties

	31 December 2018	31 December 2017
Amounts due to Parent Company, net	1,987,122	8,343,288
Amounts due to SaleCo, net	2,185,623	2,871,946
Amounts due to VIVA Kuwait, net	234,272	333,735
	4,407,017	11,548,969

The amounts due to related parties are non-interest bearing and are incurred in the normal course of business (Note 25).

The amounts stated above equal their fair value as the impact of discounting is not considered significant by the management.

20 Trade and other payables

	31 December 2018	31 December 2017 (As restated)	1 January 2017 (As restated)
Trade payables	23,159,325	20,789,297	23,367,860
Accrued operating expenses	10,502,295	8,783,614	11,096,192
Prepaid unearned revenue	6,278,655	6,429,095	5,873,569
Capital expenditures payable to contractors	5,196,968	3,132,773	5,092,369
Post-paid subscription paid in advance	2,500,188	1,215,020	2,187,979
Consultancy accruals	1,847,214	1,021,603	900,561
Staff accruals	1,097,135	942,809	2,379,207
Managed services and support accruals	893,300	166,916	2,106,110
	51,475,080	42,481,127	53,003,847

In the opinion of the Group's management, the carrying value of trade and other payables approximates to their fair values.

21 Revenue

	31 December 2018	31 December 2017
Mobile services revenue	59,884,771	60,938,940
Enterprise & wholesale revenue	31,116,301	28,666,339
Data subscription	17,549,704	10,905,698
Handsets and other devices	22,260,872	18,349,103
Transit revenues	15,675,352	16,579,482
Video on demand and enterprise ICT revenue	3,201,771	1,424,328
	149,688,771	136,863,890

	31 December 2018	31 December 2017
Timing of revenue recognition		
Products and services transferred at a point in time	22,260,872	18,349,103
Products and services transferred over time	127,427,899	118,514,787

21 Revenue (continued)

	31 December 2018	31 December 2017	1 January 2017
Receivables (included in Trade Receivables)	11,539,052	12,326,270	10,309,313
Contract assets (unbilled revenue)	12,061,102	8,675,402	9,316,30
Contract liabilities (Deferred revenue)	2,927,016	1,801,814	874,932

The Contract assets primarily relate to the work completed but not billed at the reporting date by the Group. The Contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance received from customers for which revenue is recognised on completion of the contract obligation.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

		2018		2017
	Contract Assets	Contract Liabilities	Contract Assets	Contract Liabilities
Revenue recognised that was included in contract liabilities at the beginning of the period	-	1,169,369	-	806,262
Increase due to cash received, excluding amount recognised as revenue during the period	-	883,626	-	711,391
Transfers from contract assets that were recognised at the beginning of the period	946,275	-	1,594,608	-

Transaction price allocated to the remaining performance obligations:

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date.

	31 December 2018	31 December 2017
Pre paid revenue	654,300	549,012
Post paid revenue	229,326	162,379

Contract cost

Management expects that the incremental costs incurred to obtain customer contracts are recoverable. The Group has therefore capitalised them as contract costs in the amount BD 3,319,511 (2017: BD3,323,212).

The contract costs are amortised when the related revenues are recognised. In 2018, the amount of amortisation was BD1,863,301 (2017: BD2,326,559) and there was no impairment loss in relation to the costs capitalised.

22 Cost of sales

	31 December 2018	31 December 2017
Interconnection and roaming costs	31,245,888	35,194,084
Handsets and SIM card starter packs	21,198,163	18,797,392
Leased lines	7,677,712	7,302,543
ICT cost	2,557,766	1,223,325
Content and Value added services (VAS)	1,552,987	2,126,654
	64,232,516	64,643,998

23 General and administrative expenses

	31 December 2018	31 December 2017
Staff expenses	13,803,591	12,213,174
Managed services and outsourcing expenses	8,749,767	7,347,616
Utilities, rent of equipment, properties and motor vehicles	1,369,920	3,304,153
Maintenance costs	2,405,151	2,899,759
TRA fees	5,314,395	2,637,847
Consultancy and professional charges	1,745,414	1,834,447
Allowance for impaired trade receivables (Note 11)	2,127,560	1,698,917
Advertising expenses	1,599,164	1,677,135
Billing and collection activities	1,349,923	1,194,512
Corporate social responsibility	1,049,456	839,551
Training, travel and hospitality expenses	279,991	409,594
Office management expenses	110,865	105,207
Allowance for slow-moving and obsolete inventories (Note 10)	10,656	11,626
	39,915,853	36,173,538

24 Selling and distribution expenses

	31 December 2018	31 December 2017
Sales activation and commission expenses	1,230,655	1,196,918
Re-charge distribution discount	2,301,983	2,487,367
Promotional expenses	637,983	796,048
	4,170,621	4,480,333

25 Transactions and balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group. Related parties consist of STC entities and organisations, directors and their close families and businesses under their control. The Group's transactions with related parties are authorised by the management and are on arm's length basis.

25 Transactions and balances with related parties (continued)

A summary of the related party transactions during the year are as follows:

Transaction type	Name of the related party	Nature of the relationship	31 December 2018	31 December 2017
Trade revenue	STC	Parent company	40,890,836	28,981,032
Trade expenses	STC	Parent company	8,788,064	12,056,929
Trade expenses	SaleCo	Sister company	3,532,638	5,300,890
Trade revenue	VIVA Kuwait	Sister company	146,604	490,441
Trade expenses	VIVA Kuwait	Sister company	46,927	236,080
Salaries and other short-term benefits	Chiefs	Key management Personnel*		
Staff and administration Costs	STC	Parent company	390,463	508,619
			53,795,532	47,573,991

* Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

A summary of related party balances is as follows:

Amounts due to related parties (Note 19)

	31 December 2018	31 December 2017
Amounts due to Parent Company, net	1,987,122	8,343,288
Amounts due to SaleCo, net	2,185,623	2,871,946
Amounts due to VIVA Kuwait, net	234,272	333,735
	4,407,017	11,548,969

26 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the number of ordinary shares in issue during the period.

	31 December 2018	31 December 2017
Net profit attributable to the shareholders	11,904,565	11,692,360
Number of ordinary shares issued	750,000,000	750,000,000
Basic earnings per share	15.87fils	15.59fils

The earnings per share has been computed on the basis of net profit for the period divided by the weighted average number of shares outstanding for the period being 750,000,000 shares.

There are no potentially dilutive ordinary shares at 31 December 2018 (2017: Nil).

27 Commitments

a) Capital commitments

The Group enters into commitments during the ordinary course of business for major capital expenditures, primarily in connection with its network expansion programs. Outstanding capital expenditure commitments approximated BD11,295,409 as at 31 December 2018 (2017: BD11,035,074).

b) Letter of credit commitments

Letters of credit other than for capital expenditure at the end of the year amounted to BD7 million (2017: BD3.77 million).

28 Corporate social responsibility

The Group has made a provision for corporate social responsibility of BD1,049,456 (2017: BD839,551) during the year.

29 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include cash and cash equivalents, Murabaha deposits, trade and other receivables, amounts due to related parties, trade and other payables, license fee payables, Murabaha facilities and hedge derivatives. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management is carried out by the finance department of the Group under policies approved by the directors. The Group's finance department evaluates and hedges financial risks in close co-operation with the Group's operating units. The Directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, profit rates, credit risk and investment of excess liquidity.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, license fee payable, Murabaha facilities, trade and other payables and amounts due to related parties less cash and cash equivalents and Murabaha deposits. Capital includes share capital and reserves attributable to the shareholders of the Group.

	31 December 2018	31 December 2017
Trade and other payables	51,475,080	42,481,127
Murabaha facilities	68,670,800	61,507,944
Amounts due to related parties	4,407,017	11,548,969
Less: Cash and cash equivalents	(10,697,146)	(10,817,052)
Less: Murabaha deposits	(2,500,000)	-
Net debt	111,355,751	104,720,988
Total capital	100,277,797	93,373,232
Total capital and net debt	211,633,548	198,094,220
Gearing ratio	53%	53%

29 Financial assets and liabilities and risk management (continued)

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables(excluding prepayments)
- Murabaha deposits
- Cash and bank balances
- Trade and other payables
- Amounts due to related parties
- Murabaha facilities
- Derivatives at fair value

A summary of the financial instruments held by category is provided below as at 31 December 2018 and 2017:

Financial assets	***Loans and receivables***	
	31 December 2018	31 December 2017
Trade and other receivables	51,803,370	32,334,817
Murabaha deposits	2,500,000	-
Cash and bank balances	10,697,146	10,817,052
Total financial assets	65,000,516	43,151,869

Financial liabilities	***Financial liabilities at amortised cost***	
	31 December 2018	31 December 2017
Trade and other payables	51,475,080	40,763,744
Amounts due to related parties	4,407,017	11,548,969
Murabaha facilities	68,670,800	61,507,944
Total financial liabilities	124,552,897	113,820,657

Financial liabilities	***Derivatives at fair value***	
	31 December 2018	31 December 2017
Derivatives at fair value	188,098	316,059

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents, murabaha deposits and credit exposures to customers, including outstanding receivables. For banks and financial institutions only independent related parties with a minimum rating of 'A' are accepted. While cash and cash equivalents and murabaha deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For balance due from related parties, the Group has never experienced any default or settlement issues arising due to credit risks of the counterparties and likelihood of the related parties default is remote unless there is a bill dispute raised by them. Related parties are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also immaterial. The risk management policy relating to trade receivables is provided in Note 11.

29 Financial assets and liabilities and risk management (continued)

Profit rate risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in market profit rates. The Group's fixed deposits bear fixed profit. The Group's Murabaha facilities bear profit rates which are linked to BIBOR and fluctuates frequently. The Group's management has hedged a portion of the profit rate risk by entering into a profit rate swap with the Group's bankers. In the opinion of the management the Group's remaining assets and liabilities are not sensitive to profit rate risk except for cash held in saving accounts.

Description	Change	Impact on equity/profit
Saving account balance with banks	+/-0.50%	+/- 9,536
Murabaha facilities	+/-0.50%	+/- 344,593
Derivatives at fair value	+/-0.50%	+/- 940

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring the liquidity requirements on a regular basis to help ensure that sufficient funds are available, including unutilised credit facilities with banks, to meet all liabilities as and when they fall due.

Maturity profile

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered significant by management.

	At 31 December 2018				
	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Derivatives at fair value	-	62,699	62,699	62,700	188,098
Murabaha facilities	70,466	8,731,627	20,460,160	39,408,547	68,670,800
Amount due to related parties	-	4,407,017	-	-	4,407,017
Trade payables	23,159,325	-	-	-	23,159,325
	23,229,791	13,201,343	20,522,859	39,471,247	96,425,240

	At 31 December 2017				
	Up to 3 Months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Derivatives at fair value	-	19,754	98,768	197,537	316,059
Murabaha facilities	-	539,250	4,816,875	56,151,819	61,507,944
Amount due to related parties	232,389	929,617	10,386,963	-	11,548,969
Trade payables	20,789,297	-	-	-	20,789,297
	21,021,686	1,488,621	15,302,606	56,349,356	94,162,269

29 Financial assets and liabilities and risk management (continued)

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has creditors in currencies other than Bahrain Dinars and United States Dollar. The Group's finance department constantly monitors the fluctuations in foreign currencies and minimises the exposure to foreign currencies.

The Bahrain Dinar is effectively pegged to the United States Dollar and therefore management considers the currency rate risk as minimal with respect to the United States Dollar.

Fair value measurement

Fair value is the amount 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.

Financial instruments not measured at fair value on recurring basis include trade and other receivables excluding prepayments, Murabaha deposits, cash and cash equivalents, license fee payable and trade and other payables and Murabaha facilities.

Fair value measurement

Due to their short-term nature, the carrying value of cash and cash equivalents, Murabaha deposits, trade and other receivables, license fee payable and trade and other payables approximates their fair value.

The carrying values of financial instruments, Murabaha deposits and Murabaha facilities that are long-term in nature are not materially different from their fair values as the impact of discounting is not considered to be significant by the management.

The following table sets out the fair value hierarchy of financial instruments measured at fair value on recurring basis along with valuation techniques and significant unobservable inputs used in determining the fair value measurement of financial instruments as well as the inter-relationship between observable inputs and fair value:

	Fair value	Level of hierarchy	Valuation technique used and key inputs	Significant unobservable Inputs	Inter-relationship between unobservable inputs and fair value
31 December 2018					
Financial liabilities					
Derivatives at fair value	188,098	L2	Interest rate curve and commodity indices	Not applicable	Not applicable
31 December 2017					
Financial liabilities					
Derivatives at fair value	316,059	L2	Interest rate curve and commodity indices	Not applicable	Not applicable

There are no transfers between levels during the year.

30 Contingent liabilities

Bank guarantees

Guarantees have been issued by banks on behalf of the Group in the normal course of business aggregating to BD305,700 (2017: BD1,994,535).

31 Dividends

The Board of Directors did not propose to pay dividend to the shareholders for the year ended 31 December 2018 (2017: BD5,000,000). The proposed dividend only becomes payable once it has been approved by the shareholders in the Annual General Meeting and, accordingly, last year's proposed dividend was only accounted for in 2018.

32 Business combination

The Company entered in to an agreement with KFH on 14 December 2017 to acquire Mena telecom (The Acquiree). This agreement was approved by Company's Board of Directors during the Board meeting held on 25 October 2017. In accordance to this agreement the entire business of Mena telecom was transferred to the Company by KFH on 3 January 2018.

IFRS Business Combinations requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

In accordance with IFRS 3 the acquirer has a period of one year from the date of acquisition to finalise the determination of fair values of the assets and liabilities and to determine the value of any intangibles separately identified.

The management has determined the fair value of the acquired assets and liabilities in consultation with external advisors.

32 Business combination (continued)

	Carrying value As at 3 January 2018	Fair value adjustments*	Fair value As at 3 January 2018
ASSETS			
Non-current assets			
Equipment and furniture, net	9,097,753	263,242	9,360,995
Capital work-in-progress	148,351	-	148,351
Intangible assets	2,875,802	5,935,000	8,810,802
Right of use assets	2,775,656	-	2,775,656
	14,897,562	6,198,242	21,095,804
Current assets			
Inventories	268,906	-	268,906
Trade and other receivables, net	1,600,870	-	1,600,870
Cash and cash equivalents	3,905,910	-	3,905,910
	5,775,686	-	5,775,686
Total assets			26,871,490
Non-current liabilities			
Non- current portion of Lease liabilities	3,069,256	-	3,069,256
Employees' terminal benefits	71,371	-	71,371
	3,140,627	-	3,140,627
Current liabilities			
Trade and other payables	3,455,435	-	3,455,435
	3,455,435	-	3,455,435
Total liabilities			6,596,062
Fair value of net assets			20,275,428
Consideration paid**			(18,640,537)
Gain on bargain purchase*			1,634,891

* The gain on bargain purchase was determined based on the fair values of the assets and liabilities of the Acquiree as determined by the management supported by independent consultants.

** The Group has paid a consideration of BD18,640,537 for the acquisition of Mena. Out of which the Group has paid BD14,564,487 towards the acquisition of Company's assets and BD4,076,050 towards the cash and bank and working capital balances.

33 Subsequent events

There were no events subsequent to 31 December 2018 and before the date of this report that could significantly impact these consolidated financial statements.

34 Comparative figures

Comparative figures in the consolidated statement of financial position, consolidated statement profit and loss and other comprehensive income, consolidated statement of cash flows, and consolidated statement of changes in shareholders' equity, pertains to only standalone figures of VIVA Bahrain B.S.C. (c) therefore, these are not comparable.

35 Implementation of new standards

New IFRS application adjustment at each reporting period is summarised below:

Impact of IFRS 15 and IFRS 9 as on 1 January 2017:

	31 December 2016 As previously stated	IFRS 9 impact up to 31 December 2016	IFRS 15 impact up to 31 December 2016	Total adjustments	1 January 2017 As restated
Trade and other receivables	28,619,731	(1,853,679)	3,715,920	1,862,241	30,481,972
Retained earnings	1,050,769	(1,738,715)	2,840,988	1,102,273	2,153,042
Trade and other payables	52,243,879	(114,964)	874,932	759,968	53,003,847

Impact of IFRS 15 and IFRS 9 as on 31 December 2017 and IFRS 16 as on 1 January 2018:

	31 December 2017 As previously stated	IFRS 9 impact up to 31 December 2017	IFRS 15 impact up to 31 December 2017	Total adjustments	31 December 2017 As restated	IFRS 16 impact On early adoption	1 January 2018 As restated
Trade and other receivables	35,865,128	(1,794,239)	2,807,327	1,013,088	36,878,216	(1,702,499)	35,175,717
Retained earnings	13,199,804	(1,709,808)	1,005,513	(704,295)	12,495,509	-	12,495,509
Right-of-use assets	-	-	-		-	11,886,452	11,886,452
Trade and other payables	40,763,744	(84,431)	1,801,814	1,717,383	42,481,127	(4,699,457)	37,781,670
Lease liabilities	-	-	-	-	-	14,883,410	14,883,410

35 Implementation of new standards (continued)

Impact of IFRS 15 and IFRS 9 as on 31 December 2017:

	31 December 2017 As previously stated	IFRS 9 impact for the period from 1 January 2017 to 31 December 2017	IFRS 15 impact for the period from 1 January 2017 to 31 December 2017	Total adjustments	31 December 2017 (Restated)
Revenue	139,232,968	-	(2,369,078)	(2,369,078)	136,863,890
Cost of sales	(65,887,555)	-	1,243,557	1,243,557	(64,643,998)
General and administrative expenses	(36,232,978)	59,440	-	59,440	(36,173,538)
Selling and distribution expenses	(6,096,938)	-	1,616,605	1,616,605	(4,480,333)
Finance cost	(886,371)	(30,533)	-	(30,533)	(916,904)
Amortisation of cost to fulfill a contract	-	-	(2,326,559)	(2,326,559)	(2,326,559)
Impact on net profit for the period		28,907	(1,835,475)	(1,806,568)	