

**ZAIN BAHRAIN B.S.C.**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED DECEMBER 31, 2018**

**ZAIN BAHRAIN B.S.C.**

<u>Commercial Registration No.</u>	50603
<u>Chairman of the Board</u>	Sh. Ahmed Bin Ali Al Khalifa
<u>Members of the Board of Directors</u>	Sh. Rashid Bin Abdulrahman Al Khalifa – Independent Director Mr. Ali Hassan Al-Khaja – Independent Director Mr. Bader Nasser Al-Kharafi Mr. Ahmed Tahous Al-Tahous Mr. Yousif Khaled Alabdurazzaq (Effective November 27, 2018) Mr. Saud Ahmed Al-Nahari (Effective December 18, 2018) Mr. Mohannad Mohammad Al-Kharafi – Vice chairman (Up to November 27, 2018) Mr. Talal Jassem Al-Kharafi (Up to November 27, 2018) Mr. Martial Caratti (From November 27, 2018 to December 18, 2018)
<u>Corporate Secretary</u>	Ms. Latifah Salahuddin
<u>Chief Executive Officer</u>	Mr. Scott Gegnheimer
<u>General Manager</u>	Mr. Mohammed Zainalabedin
<u>Finance Director</u>	Mr. Mudassar Muhammad Ali
<u>Registered Office</u>	P.O. Box 266 Kingdom of Bahrain
<u>Principal Bankers</u>	National Bank of Kuwait Bank of Bahrain and Kuwait National Bank of Bahrain First Abu Dhabi Bank Ahli United Bank Ithmar Bank Arab Bank Khaleeji Commercial Bank Al Salam Bank Kuwait Finance House Bahrain Islamic Bank Al Baraka Islamic Bank Standard Chartered Bank United Bank Ltd
<u>Auditors</u>	Deloitte & Touche - Middle East P.O. Box 421 Manama, Kingdom of Bahrain

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## **ZAIN BAHRAIN B.S.C.**

### **DIRECTORS' REPORT**

The Directors of Zain Bahrain B.S.C. (the "Company") present their annual report together with the financial statements for the year ended December 31, 2018.

#### **Principal activity**

The principal activity of the Company is to provide telecommunication services under various licenses issued by the Telecommunications Regulatory Authority of the Kingdom of Bahrain.

#### **Results of the year**

The Company's profit for the year amounted to BD 5.17 million.

#### **Share capital structure**

##### **Shareholders:**

Mobile Telecommunication Company K.S.C. - Kuwait  
Al Sheikh Ahmed Bin Ali Al Khalifa  
Gulf International Bank B.S.C.  
Others

2018(%)	2017(%)
54.78	54.78
16.10	16.10
8.47	8.50
20.65	20.62
<u>100.00</u>	<u>100.00</u>

#### **Change in Directors**

Mr. Martial Caratti and Mr. Yousif Khaled Alabdurazzaq were appointed on November 27, 2018 by replacing Mr. Mohannad Mohammad Al-Kharafi and Mr. Talal Jassem Al-Kharafi.

Mr. Saud Ahmed Al-Nahari was appointed on December 18, 2018 in place of Mr. Martial Caratti.

#### **Directors' remuneration**

Director's remuneration charge for the year, amounted to BD 223,612 (2017: BD 223,612).

#### **Auditors**

The auditors, Deloitte & Touche - Middle East, have expressed their willingness to accept re-appointment.

On behalf of the Board

  
\_\_\_\_\_  
Sh. Ahmed Bin Ali Al Khalifa  
Chairman

February 11, 2019

  
\_\_\_\_\_  
Mr. Bader Nasser Al-Kharafi  
Board Member

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders  
Zain Bahrain B.S.C.  
Kingdom of Bahrain

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Zain Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Revenue recognition</b></p> <p>The Company has various revenue streams recognized in the financial statements and the Company's accounting policies with regard to revenue recognition are presented in note 3 to the financial statements.</p> <p>We have considered revenue to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> <li>Revenue is the key business driver for the Company;</li> <li>Complexity of billing systems, impact of changing pricing models to revenue recognition (tariff structure, incentives arrangements, discounts, etc.) and arrangements with multiple elements.</li> </ul>	<p>In responding to this area of focus, our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Performing procedures aimed at the design, implementation and operating effectiveness of relevant controls related to the revenue process;</li> <li>Involving our internal information technology ("IT") specialists in performing the test of specific application controls and information produced by the entity ("IPE") reports surrounding relevant revenue IT systems, and IT general controls related to those systems;</li> <li>performing analytical reviews of significant revenue streams including performance of an end to end walkthrough of significant revenue processes;</li> <li>reviewing key reconciliations performed by the Company's Revenue Assurance team;</li> </ul>

# **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

## **Key Audit Matters (Continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b> <i>(continued)</i></p> <p><b>Automated systems and controls</b></p> <p>An important part of the Company's financial processes is highly dependent on its information systems ("IT") with automated controls over these systems.</p> <p>This represents a significant audit effort because of the complex information technology environment supporting various business processes, including billing systems, and the mix of manual and automated controls.</p>	<ul style="list-style-type: none"> <li>▪ testing a sample of subscribers invoices back to the cash receipts;</li> <li>▪ performing tests on the accuracy of subscribers bill generation on a sample basis;</li> <li>▪ performing procedures to ensure that the revenue recognition criteria adopted by the Company for all major revenue streams is appropriate and in line with the Company's accounting policies.</li> </ul> <p>We evaluated the design and tested the operating effectiveness of the controls in systems relevant to financial reporting. Where we concluded that testing controls is not an appropriate or efficient testing approach, we performed testing on the financial information being produced by the systems.</p> <p>Additionally, we performed the following:</p> <ul style="list-style-type: none"> <li>▪ Evaluated user access controls around the relevant applications;</li> <li>▪ Tested application controls that are fully-automated designed across various business processes to ensure the complete and accurate processing of data, from input through output;</li> <li>▪ Tested controls to prevent or detect unauthorized use of, and changes to, data, systems or programs;</li> <li>▪ Tested user access rights to specific features and transactions within the relevant applications; and</li> <li>▪ Utilized data technology to extract and analyze the population of journals and tested manual journals as part of our work on possible management override of controls.</li> </ul>

## **Other Information**

Management is responsible for the other information. The other information comprises the Directors Report which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Company'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 financial statements or, if such disclosure 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

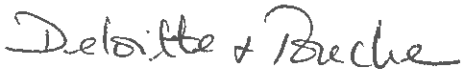
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

As required by the Bahrain Commercial Companies Law, we report that:

- a) The Company has maintained proper accounting records and the financial statements from page 6 to 34 are in agreement therewith;
- b) The financial information contained in the Directors' report on page 1 is consistent with the financial statements;
- c) We are not aware of violations occurred during the year to the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6), the Bahrain Bourse rules and procedures or the terms of the Company's Memorandum and Articles of Association that would have had a material adverse effect on the business of the Company or its financial position; and
- d) Satisfactory explanations and information have been provided to us by management in response to all our requests for the purpose of our audit.

The engagement partner on the audit resulting in this independent auditor's report is Zahi Zeini.



DELOITTE & TOUCHE – MIDDLE EAST  
Partner Registration No. 184  
Manama, Kingdom of Bahrain

February 11, 2019



**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

	Notes	December 31, 2018 BD '000	December 31, 2017 (Restated) BD '000	January 1, 2017 (Restated) BD '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and banks	5	5,045	1,912	5,364
Accounts receivable and other assets	6	23,555	20,120	17,453
Inventories	7	3,081	4,347	3,390
Total current assets		31,681	26,379	26,207
<b>Non-current assets</b>				
Accounts receivable and other assets	6	4,222	3,237	105
Property and equipment	8	56,058	65,481	74,656
Intangible assets	9	2,842	6,825	13,451
Total non-current assets		63,122	75,543	88,212
<b>Total assets</b>		<b>94,803</b>	<b>101,922</b>	<b>114,419</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and other liabilities	10	22,115	30,749	36,293
Term loans from banks	11	-	1,875	7,786
Contract liabilities / deferred revenue		2,175	1,867	3,542
Total current liabilities		24,290	34,491	47,621
<b>Non-current liabilities</b>				
Term loans from banks	11	-	-	1,875
Provision for employees' end of service benefits	12	300	321	300
Total non-current liabilities		300	321	2,175
Total liabilities		24,590	34,812	49,796
<b>Equity</b>				
Share capital	13	36,800	36,800	36,800
Treasury shares	14	(754)	(754)	(754)
Treasury shares reserve	14	(6)	(6)	(6)
Share premium	15	3,032	3,032	3,032
Statutory reserve	16	11,755	11,238	10,807
Retained earnings		19,386	16,800	14,744
Total equity		70,213	67,110	64,623
<b>Total liabilities and equity</b>		<b>94,803</b>	<b>101,922</b>	<b>114,419</b>

The financial statements from page 6 to 34 were approved by the Board of Directors on February 11, 2019 and signed on its behalf by:

Sh. Ahmed Bin Ali Al Khalifa  
Chairman

Mr. Bader Nasser Al-Kharafi  
Board Member

The accompanying notes are an integral part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED DECEMBER 31, 2018**

	Notes	Year ended December 31,	
		2018 BD '000	2017 (Restated) BD '000
Revenue	17	66,198	73,696
Cost of revenue		(21,879)	(21,522)
<b>Gross profit</b>		<b>44,319</b>	<b>52,174</b>
Operating and administrative expenses	18	(27,520)	(28,992)
Depreciation and amortization	8, 9	(10,401)	(17,491)
Impairment losses on financial assets	5, 6	(1,188)	(940)
Provision for inventories	7	(98)	(206)
<b>Operating profit</b>		<b>5,112</b>	<b>4,545</b>
Other income – net		39	76
Gain / (loss) on currency translation adjustment		2	(74)
Interest income		71	40
Finance costs	11	(50)	(281)
<b>Profit for the year</b>		<b>5,174</b>	<b>4,306</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>5,174</b>	<b>4,306</b>
<b>Basic and diluted earnings per share</b>	19	<b>Fils 14</b>	<b>Fils 12</b>

Sh. Ahmed Bin Ali Al Khalifa  
Chairman

Mr. Bader Nasser Al-Kharafi  
Board Member

The accompanying notes are an integral part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED DECEMBER 31, 2018**

	Share capital	Treasury shares	Treasury shares reserve	Share premium	Statutory reserve	Retained earnings	Total
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance, December 31, 2016	36,800	-	-	3,032	10,807	14,715	65,354
Prior period adjustment (note 26)	-	(754)	(6)	-	-	29	(731)
Balance as restated, January 1, 2017	36,800	(754)	(6)	3,032	10,807	14,744	64,623
Dividends declared (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the year	-	-	-	-	-	4,306	4,306
Appropriation to statutory Reserve	-	-	-	-	431	(431)	-
<b>Balance, December 31, 2017</b>	<b>36,800</b>	<b>(754)</b>	<b>(6)</b>	<b>3,032</b>	<b>11,238</b>	<b>16,800</b>	<b>67,110</b>
Transition adjustment on adoption of IFRS 15 (note 2.2)	-	-	-	-	-	(252)	(252)
Balance as restated, January 1, 2018	36,800	(754)	(6)	3,032	11,238	16,548	66,858
Dividends declared (note 13)	-	-	-	-	-	(1,819)	(1,819)
Total comprehensive income for the year	-	-	-	-	-	5,174	5,174
Appropriation to statutory Reserve	-	-	-	-	517	(517)	-
<b>Balance, December 31, 2018</b>	<b>36,800</b>	<b>(754)</b>	<b>(6)</b>	<b>3,032</b>	<b>11,755</b>	<b>19,386</b>	<b>70,213</b>

The accompanying notes are an integral part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**

		Year ended December 31,	
	Notes	2018	2017
		BD '000	(Restated) BD '000
<b>Cash flows from operating activities</b>			
Profit for the year		5,174	4,306
Adjustments for:			
Depreciation and amortization	8, 9	10,401	17,491
Provision for impairment of financial assets	5, 6	1,188	940
Provision for inventories	7	98	206
Finance costs	11	50	281
Interest income		(71)	(40)
Gain on disposal of property and equipment		(4)	(24)
Provision for employees' end of service benefits	12	55	82
		<u>16,891</u>	<u>23,242</u>
Working capital changes:			
Net change in inventories		1,168	(1,163)
Net change in accounts receivable and other assets		(2,389)	(6,739)
Net change in accounts payable and other liabilities		(7,983)	445
Net change in contract liabilities / deferred revenue		308	(1,675)
Payments for employees' end of service benefits	12	(76)	(61)
<i>Net cash from operating activities</i>		<u>7,919</u>	<u>14,049</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	8	(1,153)	(6,365)
Increase in intangible assets	9	(8)	(1,235)
Proceeds from disposal of property and equipment		4	-
Interest income received		71	40
<i>Net cash used in investing activities</i>		<u>(1,086)</u>	<u>(7,560)</u>
<b>Cash flows from financing activities</b>			
Payments of term loans	11	(1,875)	(7,786)
Interest paid		(52)	(364)
Dividends paid		(1,773)	(1,791)
<i>Net cash used in financing activities</i>		<u>(3,700)</u>	<u>(9,941)</u>
Net increase/(decrease) in cash and cash equivalents		3,133	(3,452)
Cash and cash equivalents, beginning of year		1,912	5,364
<b>Cash and cash equivalents, end of year</b>	<b>5</b>	<u><b>5,045</b></u>	<u><b>1,912</b></u>
Non-cash transactions (note 5)			

The accompanying notes are an integral part of these financial statements

**1. CORPORATE INFORMATION**

Zain Bahrain B.S.C. (the "Company") is a Bahraini Shareholding Company (Public) incorporated in the Kingdom of Bahrain on April 19, 2003 and registered with the Ministry of Industry, Commerce and Tourism under Commercial Registration number 50603. Its shares are listed on Bahrain Bourse. The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. (the "Parent Company"), a Kuwaiti shareholding company listed on the Kuwait Stock Exchange. The Company's registered office is P.O. Box 266, Manama, Kingdom of Bahrain.

The Company is mainly engaged in the provision of public telecommunications and related products and services.

**2. ADOPTION OF NEW AND REVISED STANDARDS (IFRSs)**

**2.1 New and revised IFRS Standards that are effective for the current year**

**Impact of application of IFRS 15 *Revenue from Contracts with Customers***

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on, or after January 1, 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that entity should recognize revenue to depict the transfer of promised goods and services to customer in an amount that reflects the consideration to which entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The Company has applied IFRS 15 using the modified retrospective method, and accordingly has recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at January 1, 2018.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on balance sheet and reflected in the working capital changes and other cash flow line items.

Management has identified the following as areas where key revenue recognition and other accounting changes under IFRS 15 have had an impact on the Company's financial statements:

- Mobile telecommunication services provided to postpaid customers
- Handset trading revenues
- Upgrade rights for additional services
- Revenue from value added services (VAS)

The Company's accounting policies for its revenue streams are detailed in note 3.

The impact on adoption of IFRS 15 is disclosed in note 2.2.

**Impact of application of IFRS 9 *Financial Instruments***

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) with a date of initial application of 1 January 2018. The Company has also applied the consequential amendments to other IFRS Standards that are effective for an annual period that begins on, or after January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by IFRS 9, the Company elected not to restate comparative periods, and accordingly has recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at January 1, 2018.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

Additionally, the Company adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

*Classification and measurement of financial assets and liabilities*

The Company's financial assets consist of cash and cash equivalents and trade and receivables. The Company does not have financial assets classified at Fair Value Through Profit or Loss (FVTPL) or at Fair Value Through Other Comprehensive Income (FVTOCI).

The Company's accounting policies for the classification and measurement of financial assets and liabilities are detailed in note 3.

The adoption of IFRS 9 did not result in any change in classification or measurement of financial assets and financial liabilities, which continue to be at amortized cost.

*Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The Company recognizes ECL for cash and bank balances and other assets using the general approach and uses the simplified approach for trade receivables and contract assets as required by IFRS 9.

The Company's accounting policies for the impairment of financial assets are detailed in note 3.

The impact on applying the ECL under IFRS 9 on the company's financial assets is disclosed in note 2.2.

*General Hedge Accounting*

The Company does not use hedge accounting.

**2.2 Impact on adoption of IFRS 9 and IFRS 15 – Transition**

Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from January 1, 2018, using the modified retrospective method. Accordingly the Company did not restate the comparative period. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognized in opening retained earnings as at January 1, 2018.

The information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable.

a) Net impact on opening retained earnings as at January 1, 2018:

	<b>Retained earnings</b>
	<b>BD'000</b>
Closing retained earnings, December 31, 2017 (as restated for the effect of prior periods adjustments - note 26)	16,800
Adjustments from adoption of IFRS 9	-
Adjustments from adoption of IFRS 15:	
Mainly from telecom. Services and handsets revenues	(252)
Opening retained earnings January 1, 2018 post IFRS 15 and IFRS 9 restatement	<u>16,548</u>

Under IAS 39, the Company's financial assets were classified as 'loans and receivables'. These are classified under the 'amortized cost' under IFRS 9. Accordingly there is no change in the measurement basis of these assets which continue to be amortized cost.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

	Impact on opening balances as at January 1, 2018			
	Previously reported amounts	IFRS 15	IFRS 9	As restated
	BD '000	BD '000	BD '000	BD '000
<b>Current assets</b>				
Cash and banks	1,912	-	(43)	1,869
Accounts receivable and other assets	20,120	3,330	43	23,493
Inventories	4,347	-	-	4,347
Total current assets	26,379	3,330	-	29,709
<b>Non-current assets</b>				
Accounts receivable and other assets	3,237	-	-	3,237
Property and equipment	65,481	-	-	65,481
Intangible assets	6,825	(3,471)	-	3,354
Total non-current assets	75,543	(3,471)	-	72,072
<b>Total assets</b>	<b>101,922</b>	<b>(141)</b>	<b>-</b>	<b>101,781</b>
<b>Current liabilities</b>				
Accounts payable and other liabilities	30,749	-	-	30,749
Term loans from banks	1,875	-	-	1,875
Contract liabilities / deferred revenue	1,867	111	-	1,978
Total current liabilities	34,491	111	-	34,602
<b>Non-current liabilities</b>				
Provision for employees' end of service benefits	321	-	-	321
Total non-current liabilities	321	-	-	321
<b>Equity</b>				
Share capital	36,800	-	-	36,800
Treasury shares	(754)	-	-	(754)
Treasury shares reserve	(6)	-	-	(6)
Share premium	3,032	-	-	3,032
Statutory reserve	11,238	-	-	11,238
Retained earnings	16,800	(252)	-	16,548
Total equity	67,110	(252)	-	66,858
<b>Total liabilities and equity</b>	<b>101,922</b>	<b>(141)</b>	<b>-</b>	<b>101,781</b>

b) Impact on the statement of profit or loss and other comprehensive income:

	Year ended December 31, 2018			
	As reported	IFRS 15	IFRS 9	Without adoption of IFRS 15 & IFRS 9
	BD '000	BD '000	BD '000	BD '000
Revenue	66,198	864	-	67,062
Cost of revenue	(21,879)	2,627	-	(19,252)
Gross profit	44,319	3,491	-	47,810
Operating and administrative expenses	(27,520)	-	-	(27,520)
Depreciation and amortization	(10,401)	(3,209)	-	(13,610)
Impairment losses on financial assets	(1,188)	-	(101)	(1,289)
Provision for inventories	(98)	-	-	(98)
Operating profit	5,112	282	(101)	5,293
Other income – net	39	-	-	39
Gain on currency translation adjustment	2	-	-	2
Interest income	71	-	-	71
Finance costs	(50)	-	-	(50)
Total comprehensive income for the year	5,174	282	(101)	5,355

### **2.3 Other new and revised Standards applied with no material impact on the financial statements**

In the current year the Company has applied the following IFRS Standards and interpretations that are effective for an annual period that begins on or after January 1, 2018. Their adoption did not have any material impact on the disclosures or on the amounts reported in the financial statements:

- Amendments to IFRS 2 *Share-based Payment*, classification and measurement of Share-based Payment Transactions.
- Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle* (Measuring an associate or joint venture at fair value).
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*  
The Interpretation addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.

### **2.4 New and revised standards issued but not yet effective**

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	<i>Leases</i>
IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Annual Improvements to IFRS Standards 2015-2017 Cycle	<i>Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i>
Amendments to IAS 19 <i>Employee Benefits</i>	<i>Plan Amendment, Curtailment or Settlement</i>
IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>

The Directors do not expect that the adoption of the above Standards will have a material impact on the Company's financial statements in future periods, except as noted below:

#### **IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16 *Leases* with an effective date of annual periods beginning on or after January 1, 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 *Leases*. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortized over the length of the lease and the financial liability measured at amortized cost. Lessor accounting remains substantially the same as in IAS 17.

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes which will be disclosed in the first interim financial information as of March 31, 2019 that includes the effects of the application from the effective date.



### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Standards") and the applicable requirements of the Bahrain Commercial Companies Law and the Central Bank of Bahrain Rule Book.

The financial statements have been prepared on the historical cost basis.

The financial statements have been presented in Bahraini Dinars ("BD") which is the Company's functional currency. All financial information presented in Bahraini Dinars has been rounded to the nearest thousand (BD'000) except where stated otherwise.

The principal accounting policies adopted are set out below.

#### **Revenue recognition (effective January 1, 2018)**

The Company recognizes revenue from the following major sources:

- Revenue from telecommunication services
- Handset trading
- Upgrade rights for additional services
- Value added services (VAS) sharing arrangements

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

#### **Handsets and telecommunication services**

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Company has a contract liability. If the Company performs first by satisfying performance obligation, the Company has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time as the customer uses the services when it is recognized as revenue.

The Company provides subsidized handsets to its customers along with mobile telecommunication services and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. Revenue from device sales is recognized when device is delivered to the customer. This usually occurs when customer signs a contract. Revenue from voice, messaging, internet services etc. are included in the bundled package are recognized on the period of the contract as the services are rendered.

In the case of locked devices, revenue from the delivery of the device and service is recognized over the period of the contract as the Company concluded that it is a single performance obligation.

The Company has offering where it provides customer with multiple handsets. Revenue is deferred for handsets that are not delivered.

#### **Upgrade rights**

The Company offers early upgrade rights for additional services. This requires the Company to determine the accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract. A material right is an option to acquire additional goods or services at a price that does not reflect the good's or service's stand-alone selling price and is considered a separate performance obligation.

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Value-added services

Revenue from VAS is recognized when the Company performs the related service on the basis of Company's share of the billing rate applied against facilitating the service.

Significant financing component

If a customer can pay for purchased equipment over a period along with network services, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Roaming

Roaming revenue arises from revenue sharing arrangements with other telecommunication operators in respect of traffic exchanged and is recognized as earned.

During 2018, the Company revised the presentation of roaming revenues at gross amount billed to the customer. Prior period was re-presented on a comparable basis. Refer to note 26.

Interconnection

Revenue (inbound)

Interconnection revenue represents amounts receivable from other network operators for their subscribers' traffic terminated on the Company's network and is accounted for during the period of such use.

Expense (outbound)

Interconnection expenses represent amounts payable to other network operators for the traffic terminated on their network by the Company's subscribers and are accounted for during the period of such use.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Revenue recognition (Policy prior to January 1, 2018)**

Revenues which consist of income streams of a recurring and non-recurring nature are recognized when related services are provided and are measured at the fair value of the consideration received or receivable and are reduced for rebates and other similar allowances.

Post-paid revenue is recognized when the related services are provided.

Prepaid revenue is recognized based on airtime usage. Unused airtime which has not been earned at the reporting date is recognized in the statement of financial position as deferred revenue. Non-recurring revenues include one-time charges of subscription and other services fees. One-time charges are recognized when services to the customers are activated or provided, as appropriate.

Roaming revenue is recognized as earned.

Interconnection revenue (inbound) and expenses (outbound) are recognized during the period of use.

Trading revenue is recognized upon delivery to the customer.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition cost of the asset. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is recognized so as to write off the cost of assets or valuation of assets (other than freehold land and capital work in progress) over their estimated useful lives, using the straight-line method.

The estimated useful lives of property and equipment are as follows:

Freehold building	50 years
Network equipment	3-20 years
Office equipment	4-5 years
Furniture and fixtures	5 years
Vehicles	5 years

Freehold land is not depreciated. Assets (including capital work in progress) are depreciated from the time an asset is completed and ready for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. For acquired network businesses whose operations are governed by fixed-term licenses, the amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized on a straight line basis over the life of the license.

Indefeasible Right to Use ("IRU") are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

**Impairment of non-financial assets**

Where there is an indication of impairment in value, such that the recoverable amount of an asset (other than inventories) falls below its net book value, an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Funding costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Costs are those expenses incurred in bringing each product to its present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less all estimated selling expenses.

**Financial instruments**

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**Financial assets (effective January 1, 2018)**

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of financial assets.

Classification of financial assets

Financial assets are classified as follows:

- Financial assets at amortized cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial asset at Fair Value Through Profit or Loss (FVTPL)

The classification and measurement category of financial assets, except for equity instruments and derivatives, are assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

**Business model assessment:**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

**Contractual cash flow characteristics test:**

The Company assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. The Company reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

***Financial assets at amortized cost***

A financial asset is measured at amortized cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's cash and cash equivalents, trade and receivables, contract assets, and other assets are classified as financial assets at amortized cost.

***Financial assets at FVOCI***

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in Other Comprehensive Income (OCI). Interest income is calculated using the effective interest method. Foreign exchange gains/losses and impairment are recognized in profit or loss. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss.

For an equity instrument; upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to the statement of profit or loss. Dividends are recognized in profit or loss when the right to receive has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

***Financial asset at FVTPL***

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value. Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

***Impairment of financial assets***

A loss allowance for expected credit losses (ECL) is recognized on investments in debt instruments that are measured at amortized cost or at FVOCI and trade receivables, as well as on financial guarantee contracts. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Company incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

***Impairment of trade receivables***

The Company always recognizes lifetime ECL for subscriber receivables, contract assets and distributor receivables, using the simplified approach.

To measure the expected credit losses, subscriber receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled subscriber receivables and have substantially the same risk characteristics as the subscriber receivable for the same type of contracts. The Company has therefore concluded that the expected loss rates for accounts receivables are a reasonable approximation of the loss rates for the contract assets.

***Impairment of other financial assets***

The Company recognizes expected credit loss (ECL) for cash and cash equivalents and other advances using the general approach.

Under this approach the Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Company considers a financial asset to have a low credit risk when the asset has external credit rating of 'investment grade' and there is no past due amounts.

***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset, have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

***Impairment of financial assets (Policy prior to January 1, 2018)***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Individually significant financial assets are tested for impairment on an individual basis. Remaining financial assets which share similar credit characteristics are assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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***De-recognition of financial assets***

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**Financial liabilities**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) Held for trading, or (iii) designated at FVTPL, are subsequently measured at amortized cost.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When same or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

**Leasing**

The Company as lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance expenses and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the lease.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

**Provision for employees' end-of-service benefits**

The Company provides end of service benefits to all its expatriate employees in accordance with the Bahrain Labor Law. The entitlement to these benefits is based upon the employee's final basic salary and length of service. The expected costs of these benefits are accrued over the period of the employment.

For Bahraini employees, the Company makes contributions to the Social Insurance Organization, based on the applicable law and regulation.

**Employees' saving scheme**

The Company operates an employee saving scheme for its Bahraini employees. The scheme's assets consist of deposits with banks are not incorporated in these financial statements.

**Foreign currencies**

The functional currency of the Company is the Bahraini Dinar. Transactions in foreign currencies are recognized in functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**Segment information**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

#### **Treasury shares**

The cost of the Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the Company's accounting policies**

In the process of applying the Company's accounting policies, which are described in note 3, management did not have to make judgements that may have significant effect on the amounts recognized in the financial statements.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### Property and equipment - network

Due to the nature of the Company's business, the network assets of the Company, as detailed in note 8, are susceptible to rapid technological obsolescence. Management depreciates those assets over 3 to 20 years. The estimation of network assets useful lives is based on management judgement and estimates. In order to estimate the lives of network assets, management considers the nature of the assets, usage and technological advancement. Therefore, any technological advancement in future may warrant the need for substantial upgrade or replacement of equipment.

##### Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above and note 6.1.

##### Provision for obsolete and slow moving inventory items

Considerable judgement by management is required in the estimation of the obsolete and slow moving inventory.

Management review of inventory obsolescence is mainly based on the aging of inventory items and applying percentages which reflect management assessment of obsolescence.

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**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and short-term bank deposits with an original maturity of three months or less.

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Cash and current accounts with banks	4,928	1,561
Items under collection	119	351
	5,047	1,912
Loss allowance	(2)	-
Cash and cash equivalents	<b>5,045</b>	<b>1,912</b>

The following table shows the impact of the loss allowance due to the application of IFRS 9 as at January 1, 2018 and the movement during the year:

	<b>2018</b>
	BD '000
Balance as at January 1, 2018 under IAS 39	-
Adjustment upon application of IFRS 9	43
Balance as at January 1, 2018 under IFRS 9	43
Net decrease in loss allowance	(41)
Balance as at December 31, 2018	<b>2</b>

**Non-cash transactions:**

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Write-off property and equipment against payables	695	-
Disposal and adjustment of property and equipment against Payables	-	5,771

**Changes in liabilities arising from financing activities:**

	<b>Term loans</b>	
	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Total liabilities from financing activities at January 1	1,875	9,661
Repayment	(1,875)	(7,786)
Total liabilities from financing activities at December 31	<b>-</b>	<b>1,875</b>



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**6. ACCOUNTS RECEIVABLE AND OTHER ASSETS**

	<b>2018</b>	<b>2017</b>
	BD '000	(Restated) BD '000
Trade receivables:		
Due from postpaid subscribers	23,383	20,911
Due from roaming partners	1,460	1,394
Contract assets	10,031	7,728
Due from distributors	301	130
Interconnect receivables from other operators	475	476
	35,650	30,639
Loss allowance	(11,539)	(10,408)
	24,111	20,231
Accrued income (unbilled services)	90	41
	24,201	20,272
Other assets:		
Prepaid expenses	2,486	1,873
Due from related parties (note 20)	1	15
Sundry receivables and advance payments	1,179	1,227
Staff receivables	86	92
Loss allowance	(176)	(122)
	3,576	3,085
Total accounts receivable and other assets	27,777	23,357
Less: Non-current portion of contract assets	(2,930)	(2,429)
Less: Non-current portion of prepaid expenses	(1,292)	(808)
	<b>23,555</b>	<b>20,120</b>

The loss allowance of trade receivables and other assets is broken down as follows:

		<b>2018</b>	<b>2017</b>
		BD '000	BD '000
Trade receivables:			
Postpaid subscribers (note 6.1)	Collectively assessed	10,505	10,169
Roaming partners	Individually assessed	328	239
Contract assets	Collectively assessed	621	-
Due from distributors	Collectively assessed	9	-
Interconnect receivables from other Operators	Individually assessed	76	-
Other assets:			
Due from related parties	Individually assessed	-	-
Sundry receivables	Collectively assessed	171	122
Staff receivables	Collectively assessed	5	-
		<b>11,715</b>	<b>10,530</b>

**6.1 Trade receivables postpaid subscribers**

Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period. No interest is charged on trade receivable.

The Company always measures the allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtors' group under postpaid receivables, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company considered the probability of default at 100% for the aggregate portion of trade receivables balance aged more than 91 days.

There has been no change in the estimation techniques or significant assumptions made during the current year.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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The following table details the risk profile of trade receivables from post-paid subscribers and due from distributors based on the Company's provision risk matrix. As the Company's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

Aging brackets	December 31, 2018			January 1, 2018 (Restated)		
	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	BD '000	%	BD '000	BD '000	%	BD '000
< 30 days	1,755	5%	83	1,560	5%	76
31 – 60 days	955	16%	155	834	15%	126
61 – 90 days	566	39%	219	424	37%	158
91 – 180 days	1,457	53%	771	1,165	50%	578
> 181 days	18,951	49%	9,286	17,058	49%	8,287
	<b>23,684</b>		<b>10,514</b>	<b>21,041</b>		<b>9,225</b>

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Collectively assessed	Individually assessed	Total
	BD '000	BD '000	BD '000
Balance, January 1, 2018 under IAS 39	10,291	239	10,530
Adjustment upon application of IFRS 9	(291)	248	(43)
Balance, January 1, 2018 under IFRS 9	10,000	487	10,487
Net increase / (decrease) in loss allowance	1,311	(83)	1,228
Balance, December 31, 2018 under IFRS 9	<b>11,311</b>	<b>404</b>	<b>11,715</b>

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, namely for postpaid trade receivables under the aging bracket above 181 days.

## 7. INVENTORIES

	2018	2017
	BD '000	BD '000
Handsets, accessories and others	4,567	5,735
Provision for obsolescence	(1,486)	(1,388)
	<b>3,081</b>	<b>4,347</b>

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**8. PROPERTY AND EQUIPMENT**

	Freehold Land and Building BD '000	Network Equipment BD '000	Office Equipment BD '000	Furniture and Fixtures BD '000	Vehicles BD '000	Capital work in progress BD '000	Total BD '000
<b>Cost:</b>							
At January 1, 2017	3,014	82,979	39,074	4,013	17	13,115	142,212
Additions	-	-	-	-	-	6,365	6,365
Transfers	12	10,954	1,692	18	-	(12,676)	-
Disposal	(1)	(9,808)	(4,922)	(1,243)	-	-	(15,974)
Adjustment	-	-	-	-	-	(695)	(695)
At December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Additions	-	-	-	-	-	1,153	1,153
Transfers	2	3,547	604	25	-	(4,178)	-
Disposal	-	(26)	(54)	-	-	-	(80)
Write-off	-	-	-	-	-	(695)	(695)
At December 31, 2018	3,027	87,646	36,394	2,813	17	2,389	132,286
<b>Accumulated Depreciation:</b>							
At January 1, 2017	765	33,249	29,830	3,695	17	-	67,556
Relating to disposal	-	(5,630)	(3,902)	(1,227)	-	-	(10,759)
Depreciation expense	43	6,934	2,536	117	-	-	9,630
At December 31, 2017	808	34,553	28,464	2,585	17	-	66,427
Relating to disposal	-	(26)	(54)	-	-	-	(80)
Depreciation expense	44	7,256	2,473	108	-	-	9,881
At December 31, 2018	852	41,783	30,883	2,693	17	-	76,228
<b>Carrying amount:</b>							
December 31, 2018	2,175	45,863	5,511	120	-	2,389	56,058
December 31, 2017	2,217	49,572	7,380	203	-	6,109	65,481

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2018 capital work in progress outstanding for more than one year amounted to approximately BD 1.029 million (2017: BD 1.526 million).

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**9. INTANGIBLE ASSETS**

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
National Fixed Wireless Services license (note 9.1)	1,152	1,523
Mobile frequency license (note 9.2)	622	685
Other intangible assets (note 9.3)	1,068	1,146
	2,842	3,354
Subscribers acquisition cost (note 9.4)	-	3,471
	<b>2,842</b>	<b>6,825</b>

The movement of intangible assets is as follows:

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Balance, beginning of year	6,825	13,451
Effect of change in accounting policies (note 9.4)	(3,471)	-
Restated at the beginning of the year	3,354	13,451
Addition - subscribers acquisition cost	-	1,235
Addition - VAS License	8	-
Amortization charge	(520)	(7,861)
Balance, end of year	<b>2,842</b>	<b>6,825</b>

- 9.1 The National Fixed Wireless Services ("NFWS") license was acquired on January 8, 2007. Cost of BD 5,576,211 is amortized over the license period of 15 years.
- 9.2 Frequency license for additional spectrum block was acquired on September 19, 2013. Cost of BD 956,700 is amortized over the license period of 15 years.
- 9.3 Other intangible assets are amortized over the contracted period.
- 9.4 The prior year balances relating to subscribers acquisition cost consists of the subsidized cost of inventory items sold by the Company to its customers. These items are amortized over the contracted subsidy period which ranges from 1 to 4 years.

With the adoption of IFRS 15 on January 1, 2018, the Company recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings. Accordingly, the carrying amount of subscribers acquisition cost amounting to BD 3.471 million, net of the carrying amount of lock devices which were recognized as other assets, was transferred to retained earnings.

**10. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	<b>2018</b>	<b>2017</b>
	BD '000	(Restated) BD '000
Due to suppliers	3,562	4,972
Accrued expenses	8,716	11,838
Interconnection payable	2,011	4,092
Due to roaming partners	928	949
Accrued employees' benefits	1,074	1,061
Due to related parties (note 20)	5,442	7,496
Accrued Directors' remuneration (note 20)	223	223
Deposits	21	24
Dividends payable	138	92
Interest payable	-	2
	<b>22,115</b>	<b>30,749</b>

No interest is charged on trade payables.

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**11. TERM LOANS FROM BANKS**

This caption represents the prior year outstanding balance of bank facility denominated in Bahraini Dinars obtained in 2013 at interest rate of three-months BIBOR + 2.25% payable quarterly.

	<u>2018</u>	<u>2017</u>
	BD '000	BD '000
Current portion	-	1,875
Non-current portion	-	-
	<u>-</u>	<u>1,875</u>

Interest expense on bank loans amounted to BD 50 thousand (2017: BD 281 thousand)

Bank loans were obtained in 2013 at an interest rate of three months BIBOR +2.25%, payable quarterly.

Settlements made during the year amounted to BD 1.875 million (2017: BD 7.786 million) which complete repayment of the loans' balance in full.

The Company was compliant with the loan's financial covenants.

**12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

The movement of the provision for the employees' end of service indemnity was as follows:

	<u>2018</u>	<u>2017</u>
	BD '000	BD '000
Balance, beginning of year	321	300
Charge for the year	55	82
Settlements	(76)	(61)
Balance, end of year	<u>300</u>	<u>321</u>

**13. SHARE CAPITAL**

The Company's issued share capital consists of 368,000,000 ordinary shares at 100 Fils each, issued and fully paid. Below are the shareholders with more than 5% equity stake:

		<u>No. of shares</u>	<u>% of shareholding</u>
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.10%
Gulf International Bank B.S.C.	Bahrain	31,154,997	8.47%

**Distribution of shares by shareholding brackets**

<u>Shareholding brackets</u>	<u>% of total shares</u>		<u>No. of shareholders</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Less than 1%	14%	14%	476	467
1 % up to less than 5%	6%	6%	4	4
5 % up to less than 10%	9%	9%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
			<u>483</u>	<u>474</u>

**Dividends**

The annual general meeting of shareholders for the year ended December 31, 2017, held on March 28, 2018 approved the distribution of cash dividends of 5 fils per share totaling BD 1,819,000.

The Board of Directors propose a cash dividends distribution of 5 fils per share to the registered shareholders subject to the approval by the annual general meeting of shareholders to be held in 2019, after obtaining the necessary regulatory approvals.

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**14. TREASURY SHARES**

	<b>2018</b>	<b>2017</b>
Number of shares	4,116,990	4,116,990
Percentage of issued shares	1.12%	1.12%
Market value (BD '000)	309	371
Cost (BD '000)	754	754

**15. SHARE PREMIUM**

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. Share premium is not available for distribution.

**16. STATUTORY RESERVE**

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the yearly net profit should be appropriated to statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not available for distribution.

**17. REVENUE**

The Company derives its revenues from telecommunications services and related services, which management considers a single reportable business segment, categorized as follows:

	<b>2018</b>	<b>2017</b>
	<b>BD '000</b>	<b>(Restated)</b>
		<b>BD '000</b>
Airtime, data and subscription	50,720	59,819
Trading	15,478	13,877
	<b>66,198</b>	<b>73,696</b>

The transaction price allocated to (partially) unsatisfied performance obligations at December 31, 2018 are set out below:

	<b>2018</b>
	<b>BD '000</b>
Trading	506

Management expects that the slight majority of the transaction price allocated to unsatisfied contracts as of 2018 year-end will be recognized as revenue during 2019, with the remaining balance in 2020.

As permitted under IFRS 15, the Company does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

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**18. OPERATING AND ADMINISTRATIVE EXPENSES**

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Staff costs	6,259	7,228
Rent	5,238	4,975
Management fees (note 20)	1,699	2,236
Directors' remuneration (note 20)	223	223
Other	14,101	14,330
	<b>27,520</b>	<b>28,992</b>

As per an agreement dated December 28, 2003 and subsequent amendments in 2013 and 2018 between the Company and the Parent Company, the Parent Company provides different management services to the Company against management fees of 3% on the annual revenue as defined in the agreement.

**19. EARNINGS PER SHARE**

The basic and diluted earnings per share based are as follows:

	<b>2018</b>	<b>2017</b>
	<b>BD '000</b>	
Profit for the year	5,174	4,306
	<b>Number of shares</b>	
Weighted average number of shares in issue (Restated)	363,883,010	363,883,010
	<b>Fils</b>	
Basic and diluted earnings per share	14	12

Basic and diluted earnings per share are same since the Company has no instruments that would have a diluting effect.

**20. RELATED PARTIES**

The Company has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties are as follows:

	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
<b>Costs:</b>		
Office rent and maintenance costs	980	980
Site and outlet rent	17	33
Management fees (note 18)	1,699	2,236
Telecommunication services	1,340	940
<b>Revenues:</b>		
Telecommunication services	442	357

Accruals for Board of Directors' remuneration made during the year amounted to BD 223 thousand, subject to ratification by the annual general meeting of Shareholders (2017: BD 223 thousand) (notes 10 & 18).

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Remuneration of members of key management during the year was as follows:

	<b>2018</b>	<b>2017</b>
	BD `000	BD `000
Short-term benefits	1,263	1,243
Other long-term benefits	102	101
	<b>1,365</b>	<b>1,344</b>

Balances with related parties are as follows:

	<b>2018</b>	<b>2017</b>
	BD `000	BD `000
<b>Due from related parties: (note 6)</b>		
Sudanese Mobile Telephone Company Ltd	-	13
Zain - South Sudan	-	1
Zain - Lebanon	1	1
	<b>1</b>	<b>15</b>
<b>Due to related parties: (note 10)</b>		
Zain Group Holding-Bahrain S.P.C.	5,426	7,480
Zain - Jordan	16	16
	<b>5,442</b>	<b>7,496</b>

## 21. SEGMENT INFORMATION

The Company operates in a single business segment, telecommunications and related services, organized into three main activities: mobile operation, fixed broadband operation and trading of handsets and accessories. Management considers that these business activities are not separate operating units.

The Company carries out its operations in the Kingdom of Bahrain.

## 22. COMMITMENTS AND CONTINGENCIES

As of the year-end, the Company had the following outstanding items:

	<b>2018</b>	<b>2017</b>
	BD `000	BD `000
Letters of guarantee	584	532
Capital expenditures	660	507

Commitments under operating leases:

The Company only operates as a lessee. Operating leases relates substantially to its office, branches and properties on which telecommunication equipment have been installed with lease terms of between one to ten years. These operating lease contracts contain clause for auto renewal on the expiry of the term for the same period as agreed at the inception of the lease. The Company does not have option to purchase these properties at the expiry of the lease periods.

	<b>2018</b>	<b>2017</b>
	BD `000	BD `000
Recognized in expense:		
Minimum lease payments	5,238	4,975
Operating lease commitments:		
Within one year	4,821	4,555
Between one to five years	11,116	10,417
Beyond five years	10,114	7,047
	<b>26,051</b>	<b>22,019</b>

Other financial commitments outstanding at the reporting date amounted to Nil (December 31, 2017: BD 646 thousand).



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**23. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS**

The Company's financial assets and financial liabilities are categorized at amortized cost. There were no financial instruments measured at FVTPL or classified at FVTOCI.

	<b>2018</b>	<b>2017</b> <b>(Restated)</b>
	BD '000	BD '000
<b>Financial assets</b>		
Cash and banks at amortized cost	5,045	1,912
Accounts receivable and other assets at amortized cost	25,162	21,376
Total financial assets	<b>30,207</b>	<b>23,288</b>
<b>Financial liabilities</b>		
Accounts payable and other liabilities at amortized cost	22,115	30,749
Term loans from banks at amortized cost	-	1,875
Total financial liabilities	<b>22,115</b>	<b>32,624</b>

Financial instruments subject to offsetting enforceable master netting arrangements or similar arrangements:

	<b>Trade receivables</b>	
	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Gross amounts of recognized financial instruments	28,038	23,807
Gross amounts of recognized financial instruments set off in the statement of financial position	(3,927)	(3,576)
Net amounts of financial instruments presented in the statement of financial position	<b>24,111</b>	<b>20,231</b>

	<b>Accounts payables</b>	
	<b>2018</b>	<b>2017</b>
	BD '000	BD '000
Gross amounts of recognized financial instruments	26,042	34,325
Gross amounts of recognized financial instruments set off in the statement of financial position	(3,927)	(3,576)
Net amounts of financial instruments presented in the statement of financial position	<b>22,115</b>	<b>30,749</b>

The Company's use of financial instruments exposes it to a variety of financial risks such as market risk (such as foreign exchange risk, interest rate risk, and equity price risk), credit risk and liquidity risk. The Company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework and monitoring the risk management policies in close co-operation with the Parent Company. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

There has been no change to the Company's exposure to the above financial risks or the manner in which it manages and measures the risk.

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**Credit Risk**

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2018, the Company maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- The carrying amount of the financial assets as stated in the statement of financial position; and
- The maximum amount the Company would have to pay if the letters of guarantees disclosed in note 22 are called upon, irrespective of the likelihood of the guarantee being exercised.

The Company's financial assets are detailed below:

			<b>December 31, 2018</b>		
	<b>Notes</b>		<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
			BD '000	BD '000	BD '000
Cash and banks	5	(i)	4,928	(2)	4,926
Items under collection	5		119	-	119
Trade and other receivables:					
Due from postpaid subscribers	6	(ii)	23,383	(10,505)	12,878
Due from roaming partners	6		1,460	(328)	1,132
Contract assets	6	(ii)	10,031	(621)	9,410
Due from distributors	6	(ii)	301	(9)	292
Interconnect receivables	6		475	(76)	399
Accrued income (unbilled services)	6		90	-	90
Due from related parties	6		1	-	1
Sundry receivables	6		1,050	(171)	879
Staff receivables	6		86	(5)	81
			<b>41,924</b>	<b>(11,717)</b>	<b>30,207</b>
			<b>January 1, 2018</b>		
			<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
			BD '000	BD '000	BD '000
Cash and banks			1,561	(43)	1,518
Items under collection			351	-	351
Trade and other receivables:					
Due from postpaid subscribers			20,911	(9,223)	11,688
Due from roaming partners			1,394	(462)	932
Contract assets			7,728	(607)	7,121
Due from distributors			130	(2)	128
Interconnect receivables			476	(25)	451
Accrued income (unbilled services)			41	-	41
Due from related parties			15	-	15
Sundry receivables			1,119	(164)	955
Staff receivables			92	(4)	88
			<b>33,818</b>	<b>(10,530)</b>	<b>23,288</b>

- (i) Cash is deposited at banks with external credit rating at investment grade. Loss allowance is measured at 12 months ECL.
- (ii) For trade receivables, contract assets and due from distributors, the Company has adopted the simplified approach to measure the loss allowance at lifetime ECL. The Company adjusts the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience. The credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 6 includes further details on the loss allowance for postpaid trade receivables and distributors.

Other receivables are categorized under stage 2 and represent good credit risk quality.

Trade receivables from postpaid subscribers consist of a large number of customers.

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The Company is also exposed to credit risk in relation to letters of guarantees given (note 22). The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on.

The Company does not hold any collateral or credit enhancement to cover its credit risks associated with its financial assets.

**Foreign exchange risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

At the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency are as follows:

<b><u>December 31, 2018</u></b>	<b><u>U.S Dollar</u></b>	<b><u>Euro</u></b>	<b><u>Total foreign currencies</u></b>
	<b><u>BD '000</u></b>	<b><u>BD '000</u></b>	<b><u>BD '000</u></b>
<b>Monetary assets</b>			
Cash and banks	219	-	219
Accounts receivable and other assets	1,239	64	1,303
	<b>1,458</b>	<b>64</b>	<b>1,522</b>
<b>Monetary liabilities</b>			
Accounts payable and other liabilities	6,296	330	6,626
	<b>6,296</b>	<b>330</b>	<b>6,626</b>
Net	<b>(4,838)</b>	<b>(266)</b>	<b>(5,104)</b>

<b><u>December 31, 2017 (Restated)</u></b>	<b><u>U.S Dollar</u></b>	<b><u>Euro</u></b>	<b><u>Total foreign currencies</u></b>
	<b><u>BD '000</u></b>	<b><u>BD '000</u></b>	<b><u>BD '000</u></b>
<b>Monetary assets</b>			
Cash and banks	526	-	526
Accounts receivable and other assets	1,353	24	1,377
	<b>1,879</b>	<b>24</b>	<b>1,903</b>
<b>Monetary liabilities</b>			
Accounts payable and other liabilities	11,705	338	12,043
Term loans from banks	-	-	-
	<b>11,705</b>	<b>338</b>	<b>12,043</b>
Net	<b>(9,826)</b>	<b>(314)</b>	<b>(10,140)</b>

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant interest rate risk. The Company does not have interest bearing liabilities or assets at December 31, 2018, other than current accounts at banks.

**Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its funding requirements. The Company manages this risk by maintaining sufficient cash, availability of funding from credit facilities and its ability to close out market positions on short notice.

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The Company has unutilized bank overdraft facility of BD 5.5 million (2017: BD 5.5 million) with local commercial bank.

Below is analysis of the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturity at the reporting date, modified to the expected settlement period. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant:

	<b>2018</b>			
	<b>Less than 1 month</b>	<b>1 – 3 months</b>	<b>3 – 12 months</b>	<b>Total</b>
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	<b>3,386</b>	<b>6,523</b>	<b>12,206</b>	<b>22,115</b>

	<b>2017 (Restated)</b>			
	<b>Less than 1 month</b>	<b>1 – 3 months</b>	<b>3 – 12 months</b>	<b>Total</b>
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	4,139	6,904	19,706	30,749
Term loans from banks	-	959	970	1,929
	<b>4,139</b>	<b>7,863</b>	<b>20,676</b>	<b>32,678</b>

**24. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair value estimates.

The Company's financial instruments are carried at amortized cost. The fair values of these financial instruments approximate their carrying value.

**25. CAPITAL RISK MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide return on investment to shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of equity, comprising issued capital, treasury shares, reserves and retained earnings. The management reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risk associated with each claim as capital. The Company is relatively debt free at the current reporting date.

**26. RESTATEMENT AND RECLASSIFICATION OF PRIOR YEARS' FIGURES**

- a) As part of the regulatory requirement, the Company entered into a Discretionary Portfolio Management Agreement with a third party market maker from the effective listing date. By virtue of the agreement, the market maker executes buy and sell orders at its sole discretion to achieve price stabilization of the Company's shares and to facilitate the trading of shares against a management fee. The amount invested was included in portfolio under management prior year financial statements. In the current period, the cost of shares purchased was reclassified as treasury shares by restating the prior year financial statements. The total number of treasury shares held by the Company as at December 31, 2018 is 4,116,990. (December 31, 2017: 4,116,990). The effect of the restatement on the financial statements is summarized below.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

	December 31, 2017		January 1, 2017	
	Previously Reported Amounts	Restated Amounts	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000	BD '000	BD '000
<b><u>Assets</u></b>				
Portfolio under management	912	-	912	-
<b><u>Equity</u></b>				
Retained earnings	16,750	16,800	14,715	14,744
Treasury shares	-	(754)	-	(754)
Treasury shares reserve	-	(6)	-	(6)
	<b>16,750</b>	<b>16,040</b>	<b>14,715</b>	<b>13,984</b>

- b) During 2018, the Company revised the presentation of roaming revenues at gross amount billed to the customer. In prior years such revenues were presented net of roaming expenses. Further roaming and interconnection receivables and payables were not netted off despite having a contractual right to offset. Prior period was re-presented on a comparable basis as per below:

	2017	
	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000
<b>Statement of profit or loss</b>		
Revenue	73,012	73,696
Cost of revenue	(20,838)	(21,522)
Gross profit	52,174	52,174

	December 31, 2017		January 1, 2017	
	Previously Reported Amounts	Restated Amounts	Previously Reported Amounts	Restated Amounts
	BD '000	BD '000	BD '000	BD '000
<b>Statement of financial position</b>				
<b><u>Assets</u></b>				
Trade receivables	23,846	20,272	17,897	14,968
<b><u>Liabilities</u></b>				
Accounts payable and other liabilities	34,324	30,749	39,222	36,293