

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

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

**ZAIN BAHRAIN B.S.C.**  
**MANAMA - KINGDOM OF BAHRAIN**

<b><u>Commercial Registration No.</u></b>	50603
<b><u>Chairman</u></b>	Al Shaikh Ahmed Bin Ali Al Khalifa
<b><u>Directors</u></b>	Mr. Asaad Ahmed Al Banwan - Vice Chairman Al Shaikh Rashed Abdulrahman Mohamed Al Khalifa - Independent Director Mr. Jamal Shaker Al Alkazemi Mr. Waleed A M A Alroudan Mrs. Shaikha Khalid A A Albahar Mr. Ali Al Khaja – Independent Director
<b><u>Corporate Secretary</u></b>	Ms. Latifah Salahuddin
<b><u>Chief Executive Officer</u></b>	Mr. Scott Gegnheimer
<b><u>General Manager</u></b>	Mr. Mohammed Zainalabedin
<b><u>Finance Director</u></b>	Mr. Mudassar Muhammad Ali
<b><u>Registered Office</u></b>	P.O. Box 266 Manama Kingdom of Bahrain
<b><u>Principal Bankers</u></b>	National Bank of Kuwait Bank of Bahrain and Kuwait National Bank of Bahrain National Bank of Abu Dhabi Ahli United Bank Ithmar Bank Arab Bank Khaleeji Commercial Bank Bank Muscat International Kuwait Finance House Bahrain Islamic Bank Al Baraka Islamic Bank Standard Chartered Bank United Bank Ltd.
<b><u>Auditors</u></b>	Deloitte & Touche - Middle East P.O. Box 421 Manama Kingdom of Bahrain

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**ZAIN BAHRAIN B.S.C.**  
**MANAMA - KINGDOM OF BAHRAIN**

**DIRECTORS' REPORT**

The Directors present their annual report and financial statements for the year ended December 31, 2016.

**PRINCIPAL ACTIVITY**

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

**REVIEW OF BUSINESS**

The results for the year are set out on page 11 of the financial statements.

**SHARE CAPITAL STRUCTURE**

	<u>2016(%)</u>	<u>2015(%)</u>
<b><u>Shareholders:</u></b>		
Mobile Telecommunication Company K.S.C. - Kuwait	54.78	54.78
Al Sheikh Ahmed Bin Ali Al Khalifa	16.10	16.10
Gulf International Bank B.S.C.	8.50	8.50
Others	20.62	20.62
	-----	-----
	100.00	100.00
	=====	=====

**CHANGES IN DIRECTORS**

None.

ZAIN BAHRAIN B.S.C.  
MANAMA - KINGDOM OF BAHRAIN

DIRECTORS' REPORT (CONTINUED)

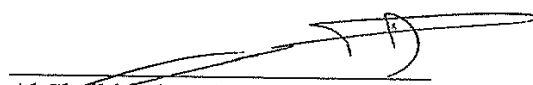
DIRECTORS REMUNERATION

Director's remuneration charged during the year ended December 31, 2016 amounted to BD 218,513 (2015: BD 306,800).

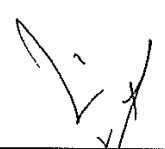
AUDITORS

A resolution proposing the reappointment of Deloitte & Touche - Middle East as auditors of the Company for the year ending December 31, 2017 and authorising the Directors to fix their remuneration will be put to the Annual General Meeting subject to the approval of the Central Bank of Bahrain.

On behalf of the Board



Al Sheikh Ahmed Bin Ali Al Khalifa  
Chairman



Mr. Asaad Ahmed Al Banwan  
Vice Chairman

January 31, 2017

## 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, 2016, 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, 2016, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

*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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition and cut-off</b></p> <p>The Company has various revenue streams recognized in the financial statements which are disclosed in Note 16 to the financial statements. 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 the revenue assurance process;</li> <li>▪ reviewing key reconciliations performed by the Company's Revenue Assurance team;</li> <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>

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<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>	<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>We obtained an understanding of material new IT systems which were implemented during the year and tested IT general controls. We also tested the completeness and accuracy of data migration from the legacy systems to the new systems.</p> <p>Additionally, we performed the following:</p> <ul style="list-style-type: none"> <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> <li>▪ evaluated user access controls around the relevant applications; and</li> <li>▪ tested user access rights to specific menus and transactions within the relevant applications.</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.



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

***Other Information (Continued)***

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.

***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 IFRS, 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 ISA's, we exercise professional judgement and maintain professional scepticism 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 risk, 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced 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 represents 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.

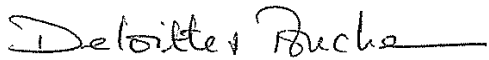
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

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

**Report on Other Legal and Regulatory Requirements**

Further as required by the local regulations, we report that in our opinion, the Company has maintained proper accounting records and the financial statements have been prepared in accordance with those records. We further report that, to the best of our knowledge and belief, the financial information provided in the Directors' report is in agreement with the financial statements and based on the information and explanations provided by the management which were required for the purpose of our audit, we are not aware of significant violations of the relevant provisions of the Bahrain Commercial Companies Law 2001 and the Company's Memorandum and Articles of Association, the Central Bank of Bahrain (CBB) Rule Book (applicable provision of volume 6) CBB directives and regulations and associated resolution, rules and procedures of the Bahrain Bourse, having occurred during the year ended December 31, 2016 that might have had a material adverse effect on the business of the Company or on its financial position.



DELOITTE & TOUCHE – MIDDLE EAST

Partner Registration No. 184

Manama, Kingdom of Bahrain

January 31, 2017

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016**

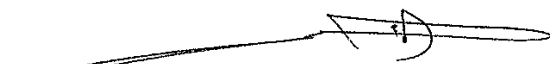
	<u>Notes</u>	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	5,364	7,822
Accounts receivable and other assets (net)	6	21,218	21,334
Inventories	7	3,390	2,505
		-----	-----
Total current assets		29,972	31,661
		-----	-----
<b>Non-current assets</b>			
Property and equipment	8	74,656	72,720
Intangible assets	9	13,451	12,835
		-----	-----
Total non-current assets		88,107	85,555
		-----	-----
<b>Total assets</b>		<b>118,079</b>	<b>117,216</b>
		=====	=====
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	10	39,222	32,376
Current portion of term loans	11	7,786	7,786
Deferred revenue		3,542	4,168
		-----	-----
Total current liabilities		50,550	44,330
		-----	-----
<b>Non-current liabilities</b>			
Non-current portion of term loans	11	1,875	9,661
Provision for employees' end of service benefits	12	300	285
		-----	-----
Total non-current liabilities		2,175	9,946
		-----	-----
Total liabilities		52,725	54,276
		-----	-----


The attached notes 1 to 25 form part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT DECEMBER 31, 2016**

		<u>2016</u>	<u>2015</u>
	<u>Notes</u>	<u>BD '000</u>	<u>BD '000</u>
<b>Equity</b>			
Share capital	13	36,800	36,800
Share premium	14	3,032	3,032
Statutory reserve	15	10,807	10,382
Retained earnings		14,715	12,726
		-----	-----
Total equity		65,354	62,940
		-----	-----
<b>Total liabilities and equity</b>		118,079	117,216
		=====	=====

The financial statements were approved and authorised for issue by the Board of Directors on January 31, 2017 and signed on their behalf by:


  
 Al Sheikh Ahmed Bin Ali Al Khalifa  
 Chairman


  
 Mr. Asaad Ahmed Al Banwan  
 Vice Chairman

The attached notes 1 to 25 form part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Notes</u>	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Revenue	16	64,647	71,112
Cost of revenue		(11,187)	(11,226)
Gross profit		----- 53,460	----- 59,886
Operating and administrative expenses		(27,419)	(29,832)
Depreciation and amortisation		(20,430)	(22,478)
Provision for impairment of receivables and other assets		(1,022)	(1,476)
Provision for inventories		(230)	(324)
<b>Operating profit</b>		----- 4,359	----- 5,776
Other income - net		378	-
Gain on currency revaluation		8	57
Interest income		71	35
Finance costs	17	(562)	(721)
<b>Profit for the year</b>	18	----- 4,254	----- 5,147
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		----- 4,254 =====	----- 5,147 =====
Basic and diluted earnings per share	19	Fils 12 =====	Fils 14 =====

  
 Al Sheikh Ahmed Bin Ali Al Khalifa  
 Chairman

  
 Mr. Asaad Ahmed Al Banwan  
 Vice Chairman

The attached notes 1 to 25 form part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Share Capital</u> BD '000	<u>Share Premium</u> BD '000	<u>Statutory Reserve</u> BD '000	<u>Retained Earnings</u> BD '000	<u>Total</u> BD '000
Balance at January 1, 2015	36,800	3,032	9,867	9,934	59,633
Dividends declared (Note 13)	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year	-	-	-	5,147	5,147
Transfer to statutory reserve	-	-	515	(515)	-
Balance at December 31, 2015	36,800	3,032	10,382	12,726	62,940
Dividends declared (Note 13)	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year	-	-	-	4,254	4,254
Transfer to statutory reserve	-	-	425	(425)	-
Balance at December 31, 2016	36,800	3,032	10,807	14,715	65,354

The attached notes 1 to 25 form part of these financial statements

**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> BD '000	<u>2015</u> BD '000
<b>Cash flows from operating activities</b>		
Profit for the year	4,254	5,147
Adjustments for:		
Depreciation and amortization	20,430	22,478
Provision for impairment of receivables and other assets and provision for inventories	1,252	1,800
Finance costs	562	721
Interest income	(71)	(35)
Provision for employees' end of service benefits	75	105
Operating profit before working capital changes	26,502	30,216
Increase in inventories	(1,115)	(701)
Increase in accounts receivable and other assets	(2,164)	(1,802)
Increase in accounts payable and other liabilities	912	4,885
Decrease in deferred revenue	(626)	(361)
Cash generated from operating activities	23,509	32,237
Payment of employees' end of service benefits	(60)	(143)
Net cash from operating activities	23,449	32,094
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(5,739)	(10,440)
Increase in intangible assets	(10,009)	(9,852)
Interest received	71	35
Net cash used in investing activities	(15,677)	(20,257)
<b>Cash flows from financing activities</b>		
Term loans	(7,786)	(4,485)
Interest paid	(610)	(701)
Dividends paid	(1,834)	(1,803)
Net cash used in financing activities	(10,230)	(6,989)

The attached notes 1 to 25 form part of these financial statements.



**ZAIN BAHRAIN B.S.C.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	(2,458)	4,848
Cash and bank balances at beginning of the year	7,822	2,974
	-----	-----
<b>Cash and bank balances at end of the year (Note 5)</b>	<u>5,364</u>	<u>7,822</u>

Non-cash transactions (Note 25)

The attached notes 1 to 25 form part of these financial statements.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**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 and Commerce under Commercial Registration (CR) number 50603. The Company is a subsidiary of Mobile Telecommunications Company K.S.C. (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. Effective December 4, 2014, the Company became a Bahraini Shareholding Company (Public) with shares listed on the Bahrain Bourse.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**2.1 New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective**

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

**New and revised IFRSs**

**Effective for  
annual periods  
beginning on or after**

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017

Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses

January 1, 2017

Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

January 1, 2017

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

January 1, 2018

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 recognises 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.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (Continued)**

**New and revised IFRSs (Continued)**

**Effective for  
annual periods  
beginning on or after**

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions

January 1, 2018

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.

January 1, 2018

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9

When IFRS 9 is first applied

IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (Continued)**

**Effective for  
annual periods  
beginning on or after  
January 1, 2018**

**New and revised IFRSs (Continued)**

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (Continued)**

**New and revised IFRSs (Continued)**

**Effective for  
annual periods  
beginning on or after**

*IFRS 15 Revenue from Contracts with Customers*

January 1, 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

**ZAIN BAHRAIN B.S.C.**  
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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**

**2.2 New and revised IFRS in issue but not yet effective (Continued)**

**New and revised IFRSs (Continued)**

**Effective for  
annual periods  
beginning on or after**

***IFRS 16 Leases***

**January 1, 2019**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

**Effective date deferred  
indefinitely**

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Statement of compliance**

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

**3.2 Basis of preparation**

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 are set out below.

**3.3 Revenue**

Revenues which consist of income streams of a recurring and non-recurring nature are recognised 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.

**3.3.1 *Post-paid***

Recurring post-paid revenue represents billings to subscribers in respect of monthly rentals, airtime (voice and data) usage fees and roaming charges. These are recognised when the related services are provided.

Revenue arising from the previous billing date to the reporting date is accrued.

**3.3.2 *Prepaid***

Prepaid vouchers enable the users to forward purchase a specified value of airtime (voice and data). The sale price of the prepaid vouchers is based on airtime bundles while revenue is recognised based on airtime usage. Unused airtime which has not been earned at the reporting date is recognised 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 recognised when services to the customers are activated or provided, as appropriate.



**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Revenue (Continued)**

**3.3.3 *Roaming***

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

Roaming revenue is presented on net basis

**3.3.4 *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.

Expenses (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.

**3.3.5 *Prepaid calling cards***

Prepaid cards enable the users to forward purchase a specified value of airtime to call international destinations. The sale price of the prepaid card is based on airtime bundles while revenue is recognised based on airtime usage. Unused airtime which has not been earned at the reporting date is recognised in the statement of financial position as deferred revenue.

**3.3.6 *Trading revenue***

Revenues arising from trading primarily comprise of hand sets, equipment and SIM card starter packs sales and are recognised upon delivery to the customer.

**3.3.7 *Interest income***

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

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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 recognised so as to write off the cost of assets or valuation of assets (other than freehold land and capital work in progress) over their 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 recognised in profit or loss.

**3.5 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. Customer contracts and relationships are amortized over the contract period (one to four years). To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortized over the period of the contract.

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.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Intangible assets (Continued)**

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

**3.6 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 recognised 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 recognised for the asset in prior years. A reversal of an impairment loss is recognised 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.

**3.7 Borrowing 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 recognised in profit or loss in the period in which they are incurred.

**3.8 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.

**3.9 Financial assets**

Financial assets include trade and other receivables, unbilled revenue, due from telecommunication operators, cash and bank balances. Financial assets are recognized on the date at which they are originated. Financial assets are initially recognized at fair value plus directly attributable transaction costs for instruments not at fair value through profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Financial assets (Continued)**

**3.9.1 *Receivables***

Subsequent to initial recognition, accounts receivables are measured at amortized cost, less any allowance for impairment.

**3.9.2 *Cash and cash equivalents***

Cash and cash equivalents include cash on hand and deposits with banks with original deposit period of 3 months or less.

**3.9.3 *Impairment of financial assets***

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-organisation; 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 recognised 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.9 Financial assets (Continued)**

**3.9.3 *Impairment of financial assets (Continued)***

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**3.9.4 *Derecognition of financial assets***

The Company derecognises 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.

The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

**3.10 Financial liabilities**

Financial liabilities include trade and other payables, due to telecommunication operators and borrowings. Financial liabilities are initially recognized at fair value plus directly attributable transaction costs.

Accounts payable are stated at their nominal value. Borrowings are initially recognized net of transaction costs and subsequently measured at amortized cost using the effective interest rate method.

**3.10.1 *Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognized and the sum of the consideration paid and payable is recognised in profit or loss.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 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 recognised 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 recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

**3.12 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.

**3.13 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.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Employee saving scheme**

The Company's contribution to the employees saving scheme is calculated as a percentage of employee salaries as determined by management in a separate fund account. The Company's obligations are limited to these contributions, which are expensed when due.

**3.15 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.

**3.16 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.

**3.17 Offsetting Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying statement of financial position when a legally enforceable right to set-off such amounts exists and when the Company intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**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. As described in Note 3, management reviews the network assets to identify any indication that those assets have suffered an impairment loss. As per the policy, the impairment loss, if any, will be recognised immediately in the profit or loss.



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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Key sources of estimation uncertainty (Continued)**

Allowance for impairment of trade and other receivables:

The Company's policy is to provide for late receivables after taking into account factors such as the time period for which the amount has been outstanding, type of subscribers and period the subscriber balance has remained inactive. On the basis of the age analysis of due from subscribers, management uses certain percentages applied to the different aging periods excluding certain subscriber categories such as Government agencies, VIPs, employees of the Company and amounts in the process of being collected by collection agencies. These percentages and the exceptions provided to certain categories of subscribers have been developed by management on the basis of their experience and past recovery trends. The ability to estimate the required provision will become more accurate over time as long as sufficient reliable data is built up. Refer to Note 6 for further details.

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.

Where the Company expects exchanging old inventory items with supplier, the provision amount is reduced to reflect inventory items at their net realisable value as estimated by management (see Note 7).

**5. CASH AND BANK BALANCES**

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Cash and current accounts with banks	4,983	7,526
Items under collection	381	296
	-----	-----
Cash and bank balances	5,364	7,822
	=====	=====

**ZAIN BAHRAIN B.S.C.**  
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**6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET)**

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Accounts receivable:		
Due from post paid subscribers (Note 6.1)	21,319	19,898
Due from roaming partners (Note 6.2)	2,353	3,616
Allowance for impairment	(9,468)	(8,472)
	-----	-----
	14,204	15,042
Instalment sales receivable	677	536
Due from distributors	397	674
Interconnect receivables from other operators	2,441	1,717
Accrued income (Note 6.3)	178	481
	-----	-----
	17,897	18,450
	-----	-----
Other assets:		
Prepaid expenses (Note 6.4)	806	1,480
Due from related parties (Note 20)	15	15
Sundry receivables and advance payments	1,631	529
Staff receivables	79	70
Portfolio under management (Note 6.5)	912	912
Allowance for impairment	(122)	(122)
	-----	-----
	3,321	2,884
	-----	-----
	21,218	21,334
	=====	=====

The allowance for impairment of receivables is broken down as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Allowance for post paid subscribers (collectively assessed)	9,229	8,250
Allowance for a roaming partner	239	222
Allowance for other receivables	122	122
	-----	-----
	9,590	8,594
	=====	=====

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET) (CONTINUED)**

The movement in the allowance for impairment of receivables is as follow:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Balance beginning of year	8,594	7,118
Additions	1,022	1,476
Write off	(26)	-
	-----	-----
Balance end of year	<u>9,590</u>	<u>8,594</u>

6.1 The aging of receivables of post paid subscribers is as follows:

	<u>2016</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>Net exposure</u>
	<u>BD '000</u>	<u>allowance</u> <u>BD '000</u>	<u>BD '000</u>
Up to 60 days	3,313	-	3,313
61 to 90 days	508	38	470
91 to 365 days	3,622	789	2,833
More than 1 year	13,876	8,402	5,474
	-----	-----	-----
	<u>21,319</u>	<u>9,229</u>	<u>12,090</u>
	=====	=====	=====

	<u>2015</u>		
	<u>Gross</u>	<u>Impairment</u>	<u>Net exposure</u>
	<u>BD '000</u>	<u>allowance</u> <u>BD '000</u>	<u>BD '000</u>
Up to 60 days	3,896	-	3,896
61 to 90 days	560	40	520
91 to 365 days	3,364	219	3,145
More than 1 year	12,078	7,991	4,087
	-----	-----	-----
	<u>19,898</u>	<u>8,250</u>	<u>11,648</u>
	=====	=====	=====

No interest is charged on overdue balances receivable from subscribers. These amounts are provided for impairment based on a collective assessment on the following basis:

- Management considers that invoices outstanding up to 60 days are considered within the acceptable credit period.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. ACCOUNTS RECEIVABLE AND OTHER ASSETS, (NET) (CONTINUED)**

- No allowance for impairment is made with respect to overdue balances related to certain categories of subscribers irrespective to the aging of these receivables. These mainly include government agencies, VIP customers and certain long overdue amounts under execution with collective agencies to the extent where management believes that these are recoverable and no objective evidence of impairment exists at the reporting date.
- For other categories of subscribers, overdue balances beyond 60 days are provided based on certain percentages applied to different aging brackets. Amounts outstanding beyond one year which are not assigned to collection agencies are fully provided for.

6.2 Balances due from roaming partners are concentrated within a limited number of counterparties.

An allowance for impairment in the amount of BD 239,000 (2015: BD 222,000) has been provided for, in respect of roaming receivables.

6.3 Accrued income comprises unbilled charges for services provided at the yearend where the billing was not due at that date.

6.4 Prepaid expenses comprise the unamortized portion of advance payments in connection with rentals, insurance, maintenance and other miscellaneous expenses.

6.5 As part of the regulatory requirement, the Company has entered into a Discretionary Portfolio Management Agreement with a third party market maker for a period up to twelve months from the effective listing date and it has been renewed during the current year. 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. As at December 31, 2016, the portfolio under management includes shares amounting to BD 754 thousand (2015: BD 517 thousand).

**7. INVENTORIES**

This caption comprises mobile telephone handsets and accessories, subscribers' identification module ("SIM") cards, recharge vouchers and calling cards.

	<u>2016</u>	<u>2015</u>
	<u>BD '000</u>	<u>BD '000</u>
Handsets, accessories and others	4,572	3,457
Allowance for slow moving items	(1,182)	(952)
	-----	-----
	<u>3,390</u>	<u>2,505</u>
	=====	=====

The Company expects to exchange a portion of old inventory items.

**ZAIN BAHRAIN B.S.C.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. PROPERTY AND EQUIPMENT**

	<u>Freehold Land and Building BD '000</u>	<u>Network Equipment BD '000</u>	<u>Office Equipment BD '000</u>	<u>Furniture and Fixtures BD '000</u>	<u>Vehicles BD '000</u>	<u>Capital work in progress BD '000</u>	<u>Total BD '000</u>
<b>Cost:</b>							
Balance at January 1, 2015	2,967	77,330	29,813	3,889	17	4,046	118,062
Additions	21	266	575	-	-	11,573	12,435
Transfers	-	5,194	1,624	120	-	(6,938)	-
Balance at December 31, 2015	2,988	82,790	32,012	4,009	17	8,681	130,497
Reclassifications	-	(5,469)	5,469	-	-	-	-
Additions	-	-	-	-	-	11,715	11,715
Transfers	26	5,658	1,593	4	-	(7,281)	-
Balance at December 31, 2016	3,014	82,979	39,074	4,013	17	13,115	142,212
<b>Accumulated Depreciation:</b>							
Balance at January 1, 2015	693	23,499	20,629	3,418	17	-	48,256
Depreciation expense	35	6,837	2,509	140	-	-	9,521
Balance at December 31, 2015	728	30,336	23,138	3,558	17	-	57,777
Relating to reclassifications	-	(3,809)	3,809	-	-	-	-
Depreciation expense	37	6,722	2,883	137	-	-	9,779
Balance at December 31, 2016	765	33,249	29,830	3,695	17	-	67,556
<b>Carrying amount:</b>							
December 31, 2016	2,249	49,730	9,244	318	-	13,115	74,656
December 31, 2015	2,260	52,454	8,874	451	-	8,681	72,720

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2016 capital work in progress outstanding for more than one year amounted to approximately BD 2.483 million (2015: BD 880 thousand).

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**9. INTANGIBLE ASSETS**

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
National Fixed Wireless Services license	1,895	2,267
4G Long Term Evolution license	749	814
Other intangible assets	1,230	-
	-----	-----
Subscribers acquisition cost	3,874	3,081
	9,577	9,754
	-----	-----
	<u>13,451</u>	<u>12,835</u>
	=====	=====

The movement of intangible assets is as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Balance beginning of year	12,835	15,940
Addition - Subscribers acquisition cost	10,009	9,852
- Other intangible assets	1,258	-
Amortization charge	(10,651)	(12,957)
	-----	-----
Balance end of year	<u>13,451</u>	<u>12,835</u>
	=====	=====

- 9.1 The National Fixed Wireless Services ("NFWS") license was obtained on January 8, 2007. Initial cost of BD 5,576,211 is amortized over the license period of 15 years.
- 9.2 The 4G Long Term Evolution ("4G LTE") license was obtained on September 19, 2013. Initial cost of BD 956,700 is amortized over the license period of 15 years.
- 9.3 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.
- 9.4 Other intangible assets are amortised over the contracted period.

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**10. ACCOUNTS PAYABLE AND OTHER LIABILITIES**

	<u>2016</u>	<u>2015</u>
	<u>BD '000</u>	<u>BD '000</u>
Due to suppliers	11,339	8,845
Accrued expenses	14,312	9,695
Interconnection payable	1,379	1,588
Due to roaming partners	2,237	2,011
Accrued employees' benefits	887	1,227
Subscriber deposits	40	31
Dividend payable	43	37
Due to related parties (Note 20)	8,682	8,502
Accrued Directors' remuneration	218	307
Accrued interest	85	133
	-----	-----
	<u>39,222</u>	<u>32,376</u>

**11. TERM LOANS**

	<u>2016</u>	<u>2015</u>
	<u>BD '000</u>	<u>BD '000</u>
Term loans from banks:		
Current portion	7,786	7,786
Non-current portion	1,875	9,661
	-----	-----
	<u>9,661</u>	<u>17,447</u>

In 2013, the Company obtained three term loans from resident banks in the aggregate amount of BD 31 million for the purpose of financing the Company's capital expenditures, including network expansion, and its working capital requirements. Total utilised balance up to December 31, 2016 amounted to BD 29.5 million (2015: BD 29.5 million). These loans are payable over 7 to 8 semi-annual installments starting after one year from loan agreements' dates and carry interest rate of three month BIBOR + 2.25%, payable quarterly.

Settlements made during the year amounted to BD 7.786 million (2015: BD 7.786 million).

The Company was in compliance with the financial covenants as at the year end.

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

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

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Balance beginning of year	285	323
Additional provision	75	105
Reductions arising from payments	(60)	(143)
	-----	-----
Balance end of year	<u>300</u>	<u>285</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.

Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of outstanding shares are as follows:

<u>Name</u>	<u>Nationality</u>	<u>Number of</u> <u>Shares</u> <u>2016 and 2015</u>	<u>% of share</u> <u>holding</u> <u>2016 and</u> <u>2015</u>
Mobile Telecommunication Co. K.S.C.	Kuwait	201,600,000	54.78%
Sh. Ahmed Bin Ali Al-Khalifa	Bahrain	59,260,000	16.1%
Gulf International Bank B.S.C. ("Underwriter")	Bahrain	31,285,097	8.5%



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**13. SHARE CAPITAL (CONTINUED)**

Distribution schedule of equity shares:

<u>Categories</u>	<u>Number of Shares</u>		<u>Number of shareholders</u>		<u>% of total outstanding shares</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Less than 1%	48,187,913	51,254,903	475	490	13.10	13.93
1 % up to less than 5%	27,666,990	24,600,000	5	3	7.52	6.69
5 % up to less than 10%	31,285,097	31,285,097	1	1	8.50	8.50
10 % up to less than 20%	59,260,000	59,260,000	1	1	16.10	16.10
More than 50%	201,600,000	201,600,000	1	1	54.78	54.78
	<u>368,000,000</u>	<u>368,000,000</u>	<u>483</u>	<u>496</u>	<u>100.00</u>	<u>100.00</u>

The Annual General Assembly of shareholders held on March 24, 2016 approved the distribution of cash dividend of 5 fils per share totaling BD 1,840,000 (2015: BD 1,840,000).

**14. SHARE PREMIUM**

Share premium relates to amounts collected in excess of the par value of the issued share capital, net of shares issue costs. This amount is considered as part of the reserves and is not available for distribution, but can be utilised as stipulated in the Bahrain Commercial Companies Law.

**15. STATUTORY RESERVE**

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve until it reaches 50% of the issued share capital. The reserve is not available for distribution, except in the circumstances stipulated in the Bahrain Commercial Companies Law.

**16. REVENUE**

This caption represents revenues from airtime, data, subscription, handsets, accessories and SIM card starter pack sales, net of roaming expenses. Revenue from sale of handsets, accessories and other items amounts to BD 1,895,924 (2015: BD 2,632,266).

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**17. FINANCE COSTS**

	<u>2016</u> BD '000	<u>2015</u> BD '000
Interest on borrowings (Note 11)	562	721

**18. PROFIT FOR THE YEAR**

Profit for the year has been arrived at after charging

	<u>2016</u> BD '000	<u>2015</u> BD '000
Employees' costs and benefits:		
End-of-service benefits (Note 12)	75	105
Employees costs	6,887	7,799
	-----	-----
	6,962	7,904
	=====	=====
Site rental	3,159	2,681
	-----	-----
Provision for doubtful debts and slow moving inventories	1,252	1,800
	-----	-----
Public relations and business promotion cost	1,847	2,113
	-----	-----
Depreciation (Note 8)	9,779	9,521
	-----	-----
Amortization expense (Note 9)	10,651	12,957
	-----	-----
License fees (Note 18.1)	2,243	2,245
	-----	-----
Management fees (Note 18.2)	1,975	2,162
	-----	-----

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**18. PROFIT FOR THE YEAR (CONTINUED)**

- 18.1 License fees comprise of Mobile license fees and Wimax frequency licenses fees payable to the TRA of Bahrain. As per the agreement dated April 22, 2003 between the Company and the TRA, the Company has to pay 0.8% of the total annual revenue every year to the TRA in respect of the license fees and fixed fee for microwave frequency license.
- 18.2 As per an agreement dated December 28, 2003 as amended on December 29, 2013, 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 gross revenue as defined in the agreement.

**19. EARNINGS PER SHARE**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Profit for the year	4,254	5,147
<i>Number of shares</i>		
Weighted average number of shares in issue (in thousands)	368,000	368,000
Basic and diluted earnings per share	Fils 12	Fils 14

Basic and diluted earnings per share are same since the Company has not issued any instrument that would have a diluting effect.

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**20. RELATED PARTIES**

Related party transactions represent transactions with related parties as defined in International Accounting Standard 24: "Related Party Disclosures" (these include shareholders, directors and key management personnel including their close family members and companies in which they exercise control, joint control or significant influence). Related party transactions are carried out at arms length and at rates approved by the Company's management. Amounts due from / to related parties are unsecured, bear no interest and have no fixed repayment terms. Management considers these to be current assets and current liabilities as appropriate.

Transactions with related parties are summarised as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Office rent and maintenance costs	980	980
Site and outlet rent	49	48
Management fees (Note 18.2)	1,975	2,162
Royalty fees	-	208

During the year, Management accrued for Board of Directors' remuneration (Note 10) an amount of BD 218,513 (2015: BD 306,800). The amount due for the year 2016 is subject to the approval by the Shareholders' general assembly.

Balances with related parties are as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
<u>Due from related party balances (Note 6)</u>		
Sudanese Mobile Telephone Company Ltd	13	13
Zain – South Sudan	1	1
Zain – Lebanon	1	1
	15	15
<u>Due to related party balances (Note 10)</u>		
Zain Group Holding-Bahrain S.P.C.	8,679	8,500
Zain – Jordan	3	2
	8,682	8,502

Transactions and balances involving telecommunication services in the ordinary course of business are not reported above.

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**20. RELATED PARTIES (CONTINUED)**

**Compensation of key management personnel:**

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

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Short-term benefits	1,165	1,175
Other long-term benefits	95	72
	-----	-----
	1,260	1,247
	=====	=====

The above compensations were in the form of salaries, allowances and bonus.

**21. SEGMENT INFORMATION**

The Company operates in telecommunication and related services business and its activities are organised 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 activities in the Kingdom of Bahrain.

**22. CONTINGENT LIABILITIES AND COMMITMENTS**

**22.1 Contingent liabilities:**

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

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Letters of guarantee	716	743
	=====	=====

**22.2 Capital commitments:**

Capital expenditure contracted at the reporting date but not provided for, are as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Capital expenditures	7,641	11,370
	=====	=====

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**22. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)**

**22.3 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 1 to 10 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.

Payments recognised as an expense

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Minimum lease payments	4,737	4,209

Non-cancellable operating lease commitments

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Within one year	4,172	2,209
Later than one year and not later than five years	7,784	8,720
Later than five years	2,935	2,443
	<u>14,891</u>	<u>13,372</u>

22.4 Other financial commitments outstanding at the reporting date are BD 728,000 (2015: BD 512,000).

**23. FINANCIAL INSTRUMENTS**

Financial instruments consist of financial assets and financial liabilities.

*Financial assets* of the Company include cash and bank balances and receivables.

*Financial liabilities* of the Company include accounts payables, accruals and borrowings.

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## 23. **FINANCIAL INSTRUMENTS (CONTINUED)**

### 23.1 **Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

### 23.2 **Categories of financial instruments**

The summary of financial assets and liabilities is as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
<i><b>Financial assets</b></i>		
Cash and bank balances at amortized cost	5,364	7,822
Receivables at amortized cost	19,436	19,784
	-----	-----
	<u>24,800</u>	<u>27,606</u>
	=====	=====
 <i><b>Financial liabilities at amortized cost</b></i>		
	48,883	49,823
	=====	=====

### 23.3 **Capital risk management**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2015.

The capital structure of the Company consists of equity comprising share capital, share premium, reserves and net debts which are defined as term loans net of cash and bank balances.

The gearing ratio at the end of each year was as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Debts (i)	9,661	17,447
Cash and bank balances (Note 5)	(5,364)	(7,822)
	-----	-----
Net debts	4,297	9,625
	-----	-----
Equity (all capital and reserves)	65,354	62,940
	-----	-----
Net debt to equity ratio	6.57%	15.29%
	=====	=====

(i) Debt is defined as term loans, as shown in Note 11.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**23.4 Financial risk management objectives**

The Company's finance function manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (which consists of equity price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk.

The risks associated with financial instruments and the respective approach to manage such risks are described below:

**23.5 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates and foreign currency rates. The Company's activities expose it primarily to the financial risk in changes in interest rates and foreign exchange rates which are described below:

**23.5.1 Interest rate risk**

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

The Company's term loan facilities carry variable interest rate and are long-term in nature (Note 11).

The Company reviews the market analysis and expectations for interest rate movements as the basis on which the Company decides to utilise floating or fixed rates for its interest bearing liabilities, if any.

The Company's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

*Interest rate sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended December 31, 2016 would decrease/increase by BD 48,305 (2015: decrease/increase by BD 87,235). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.



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**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**23.5 Market risk (continued)**

**23.5.2 Currency 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.

The Company's assets and liabilities are denominated in Bahraini Dinars, United States Dollars and Euros. As the Bahraini Dinar is pegged to the United States Dollar, balances in the US Dollar are not considered to represent a significant currency risk. However, balances denominated in the Euro are exposed to movements in exchange rate. A Euro time deposit was made by the Company to mitigate the risk of Euro exchange rate movements on its Euro denominated financial liabilities.

The carrying amounts of the Company's Euro denominated monetary financial assets and liabilities at the reporting date are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>	<u>BD '000</u>
Euros	3	17	-	3
	===	===	===	===

***Foreign currency sensitivity analysis***

The Company is mainly exposed to the Euro.

The following table details the Company's sensitivity to a 10% variation in the Bahraini Dinar against the Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where the Bahraini Dinar strengthens 10% against the Euro. For a 10% weakening of the Bahraini Dinar against the Euro, there would be an equal and opposite impact on the profit, and the balances below would be positive.

	<u>Euro Impact</u>	
	<u>2016</u>	<u>2015</u>
	<u>BD '000</u>	<u>BD '000</u>
Profit or loss	-	1
	===	===

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**23.6 Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

For concentration of credit risk refer to note 6. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing.

The Company's maximum exposure to credit risk is as follows:

	<u>2016</u> <u>BD '000</u>	<u>2015</u> <u>BD '000</u>
Cash and bank balances (Note 5)	5,364	7,822
Receivables	19,436	19,784
Letters of guarantee (Note 22)	716	743
	-----	-----
	<u>25,516</u>	<u>28,349</u>
	=====	=====

**23.7 Liquidity risk**

Liquidity risk is the risk that funds will not be available to settle liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. To mitigate the risk, management has diversified funding sources and assets are managed with a liquidity approach, maintaining a healthy balance of cash and cash equivalents. The Company manages the maturities of the Company's assets and liabilities in way to be able to maintain an adequate liquidity. The Company has obtained term loan facilities from 3 local banks with a limit of BD 10.5 million, BD 13 million and BD 7.5 million respectively. The Company has unutilised bank overdraft facility of BD 10.5 million with three commercial banks in the Kingdom of Bahrain.

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**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**23.7 Liquidity risk (Continued)**

**23.7.1 *Liquidity and interest risk tables***

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	<u>Weighted average effective interest rate %</u>	<u>Less than 1 month BD '000</u>	<u>1-3 months BD '000</u>	<u>3 months to 1 year BD '000</u>	<u>1 year to 5 years BD '000</u>	<u>Total BD '000</u>
<b>2016</b>						
Non-interest bearing	-	6,563	11,958	17,329	3,372	39,222
Variable interest bearing	4.08	34	2,342	5,669	1,915	9,960
		-----	-----	-----	-----	-----
		6,597	14,300	22,998	5,287	49,182
		=====	=====	=====	=====	=====
<b>2015</b>						
Non-interest bearing	-	7,433	6,579	12,420	5,944	32,376
Variable interest bearing	3.50	50	2,410	9,913	5,926	18,299
		-----	-----	-----	-----	-----
		7,483	8,989	22,333	11,870	50,675
		=====	=====	=====	=====	=====

The following tables detail the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

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**23. FINANCIAL INSTRUMENTS (CONTINUED)**

**23.7 Liquidity risk (continued)**

**23.7.1 Liquidity and interest risk tables (continued)**

	<u>Weighted average effective interest rate %</u>	<u>Less than 1 month BD '000</u>	<u>1-3 months BD '000</u>	<u>3 months to 1 year BD '000</u>	<u>Total BD '000</u>
<b>2016</b>					
Non-interest bearing	-	8,335	6,895	9,570	24,800
		=====	=====	=====	=====
<b>2015</b>					
Non-interest bearing	-	4,115	4,521	18,970	27,606
		=====	=====	=====	=====

**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 Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values as at the reporting dates.

**25. STATEMENT OF CASH FLOWS**

The following non-cash transactions were excluded from the statement of cash flows:

	<u>2016 BD '000</u>	<u>2015 BD '000</u>
Purchase of other intangible assets (Note 9.4)	1,258	-
	=====	=====
Purchase of property and equipment	5,976	1,995
	=====	=====