ZAIN BAHRAIN B.S.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

ZAIN BAHRAIN B.S.C.

Commercial Registration No.	50603
Chairman	Al Shaikh Ahmed Bin Ali Abdulla Al Khalifa
Directors	Al Shaikh Rashid Abdulrahman Mohamed Al Khalifa – Independent Director Mr. Ali Hassan Al Khaja – Independent Director Mr. Mohannad Mohammad Al Kharafi – Vice Chairman (Effective June 8, 2017) Mr. Bader Nasser Al-Kharafi (Effective June 8, 2017) Mr. Ahmed Tahous Al-Tahous (Effective June 8, 2017) Mr. Talal Jassem Al-Kharafi (Effective June 8, 2017) Mr. Asaad Ahmed Al-Banwan - Deputy Chairman (Up to June 8, 2017) Mr. Jamal Shaker Al-Kazemi (Up to June 8, 2017) Mr. Waleed A. M. A. Al-Roudan (Up to June 8, 2017) Mrs. Shaikha Khalid Al-Bahar (Up to June 8, 2017)
Corporate Secretary	Ms. Latifah Salahuddin
Chief Executive Officer	Mr. Scott Gegnheimer
General Manager	Mr. Mohammed Zainalabedin
Finance Director	Mr. Mudassar Muhammad Ali
Registered Office	P.O. Box 266 Kingdom of Bahrain
Principal Bankers	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
Auditors	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 present their annual report and financial statements for the year ended December 31, 2017.

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 10 of the financial statements.

SHARE CAPITAL STRUCTURE

	2017(%)	2016(%)
Shareholders:		
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

Mr. Asaad Ahmed Al Banwan, Mr. Jamal Shaker Al Alkazemi, Mr. Waleed A M A Alroudan and Mrs. Shaikha Khalid A A Albahar resigned on June 8, 2017 and Mr. Mohannad Al-Kharafi, Mr. Bader Nasser Al-Kharafi, Mr. Ahmed Tahous Al-Tahous and Mr. Talal Jassem Al-Kharafi were appointed.

ZAIN BAHRAIN B.S.C.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS REMUNERATION

Director's remuneration charged during the year ended December 31, 2017 amounted to BD 223,612 (2016: BD 218,513).

AUDITORS

A resolution proposing the reappointment of Deloitte & Touche - Middle East as auditors of the Company for the year ending December 31, 2018 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. Bader Nasser Al-Kharafi Board Member

February 5, 2018

Deloitte.

Deloitte & Touche
Middle East
United Tower, Bahrain Bay
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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, 2017, 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, 2017, 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td> Revenue recognition
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.
We have considered revenue to be a key audit matter due to the following:

Revenue is the key business driver for the Company;
Complexity of billing systems, impact of changing pricing models to revenue recognition (tariff structure, incentives arrangements, discounts, etc.) and arrangements with multiple elements.
</td>
<td> In responding to this area of focus, our audit procedures included the following:

Performing procedures aimed at the design, implementation and operating effectiveness of relevant controls related to the revenue process;
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;
performing analytical reviews of significant revenue streams including performance of an end to end walkthrough of the revenue assurance process;
reviewing key reconciliations performed by the Company's Revenue Assurance team;
testing a sample of subscribers invoices back to the cash receipts;
performing tests on the accuracy of subscribers bill generation on a sample basis;
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.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Automated systems and controls An important part of the Company's financial processes is highly dependent on its information systems ("IT") with automated controls over these systems. 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.	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. 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. Additionally, we performed the following: ▪ 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; ▪ evaluated user access controls around the relevant applications; and ▪ tested user access rights to specific menus and transactions within the relevant applications.

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 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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.

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, 2017 that might have had a material adverse effect on the business of the Company or on its financial position.

Deloitte & Touche

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 184

Manama, Kingdom of Bahrain
February 5, 2018

ZAIN BAHRAIN B.S.C.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	Notes	December 31, 2017	December 31, 2016
		BD '000	BD '000
ASSETS			
Current assets			
Cash and banks	5	1,912	5,364
Accounts receivable and other assets (net)	6	27,642	21,218
Inventories	7	4,347	3,390
Total current assets		33,901	29,972
Non-current assets			
Property and equipment	8	65,481	74,656
Intangible assets	9	6,825	13,451
Total non-current assets		72,306	88,107
Total assets		**106,207**	**118,079**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other liabilities	10	34,324	39,222
Current portion of term loans from banks	11	1,875	7,786
Deferred revenue		1,867	3,542
Total current liabilities		38,066	50,550
Non-current liabilities			
Non-current portion of term loans from banks	11	-	1,875
Provision for employees' end of service benefits	12	321	300
Total non-current liabilities		321	2,175
Total liabilities		38,387	52,725
Equity			
Share capital	13	36,800	36,800
Share premium	14	3,032	3,032
Statutory reserve	15	11,238	10,807
Retained earnings		16,750	14,715
Total equity		67,820	65,354
Total liabilities and equity		**106,207**	**118,079**

The financial statements from page 9 to 42 were approved by the Board of Directors on February 5, 2018 and signed on its behalf by:

Al Shaikh 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, 2017

	Notes	Year ended December 31, 2017	2016
		BD '000	BD '000
Revenue	16	73,012	64,647
Cost of revenue		(20,838)	(11,187)
Gross profit		52,174	53,460
Operating and administrative expenses	17	(28,992)	(27,419)
Depreciation and amortization	8, 9	(17,491)	(20,430)
Provision for impairment of receivables	6	(940)	(1,022)
Provision for inventories		(206)	(230)
Operating profit		4,545	4,359
Other income – net		76	378
(Loss) / gain on currency translation adjustment		(74)	8
Interest income		40	71
Cost of funds	11	(281)	(562)
Profit for the year		**4,306**	**4,254**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,306**	**4,254**
Basic and diluted earnings per share	18	**Fils 12**	**Fils 12**

Al Shaikh 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, 2017

	Share Capital BD '000	Share Premium BD '000	Statutory Reserve BD '000	Retained Earnings BD '000	Total BD '000
Balance, January 1, 2016	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
Appropriation to statutory reserve	-	-	425	(425)	-
Balance, December 31, 2016	36,800	3,032	10,807	14,715	65,354
Dividends declared (Note 13)	-	-	-	(1,840)	(1,840)
Total comprehensive income for the year	-	-	-	4,306	4,306
Appropriation to statutory reserve	-	-	431	(431)	-
Balance, December 31, 2017	36,800	3,032	11,238	16,750	67,820

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	Notes	Year ended December 31, 2017	2016
		BD '000	BD '000
Cash flows from operating activities			
Profit for the year		4,306	4,254
Adjustments for:			
Depreciation and amortization	8, 9	17,491	20,430
Provision for impairment of receivables	6	940	1,022
Provision for inventories		206	230
Cost of funds	11	281	562
Interest income		(40)	(71)
Loss on disposal of property and equipment		(24)	-
Provision for employees' end of service benefits	12	82	75
		23,242	26,502
Working capital changes:			
Increase in inventories		(1,163)	(1,115)
Increase in accounts receivable and other assets	6	(7,364)	(2,164)
Increase in accounts payable and other liabilities	10	1,070	912
Decrease in deferred revenue		(1,675)	(626)
Payments for employees' end of service benefits	12	(61)	(60)
Net cash from operating activities		**14,049**	**23,449**
Cash flows from investing activities			
Acquisition of property and equipment	8	(6,365)	(5,739)
Increase in intangible assets	9	(1,235)	(10,009)
Interest income received		40	71
Net cash used in investing activities		**(7,560)**	**(15,677)**
Cash flows from financing activities			
Settlement of term loans from banks	11	(7,786)	(7,786)
Interest paid		(364)	(610)
Dividends paid		(1,791)	(1,834)
Net cash used in financing activities		**(9,941)**	**(10,230)**
Net decrease in cash and cash equivalents		**(3,452)**	**(2,458)**
Cash and cash equivalent, beginning of year		5,364	7,822
Cash and cash equivalents, end of year	5	**1,912**	**5,364**

Non-cash transactions (Note 25)

The accompanying notes are an integral part of these financial statements

ZAIN BAHRAIN B.S.C.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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 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. 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, 2017, 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.

- Amendment to IFRS 12 *Disclosure of Interests in Other Entities* providing relief from disclosing summarized information for interests in subsidiaries, associates, or joint ventures classified as held for sale.
- Amendment to IAS 7 *Statement of Cash Flows - Disclosure Initiative* requiring disclosures enabling users to evaluate changes in liabilities arising from financing activities.
- Amendment to IAS 12 *Income Taxes* providing clarification on recognition of tax assets for unrealized losses.
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle.

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

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

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

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

- IFRS 9 *Financial Instruments*

  IFRS 9 '*Financial Instruments*' replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018. IFRS 9 impacts the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The primary impact on the Company relates to the provisioning for future credit losses on its financial assets and the requirement of certain additional disclosures.

  The Company will adopt it from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

  The Company is continuing to analyse the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first interim financial information as on March 31, 2018 that includes the effects of it application from the effective date.

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

- Amendments to 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.

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

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

- IFRS 15 *Revenue from Contracts with Customers*

  In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, effective for periods beginning on January 1, 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15 revenue will be recognized as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

  Management has identified the below areas where key revenue recognition and other accounting changes under IFRS 15 will have an impact on the Company's financial statements.

  Subsidized handsets

  The Company provides subsidized handsets to its customers and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This will result in a greater amount of revenue on subsidized handsets up-front, a difference between the reported revenue and the amount billed and decrease the average revenue per user for ongoing services.

  Portfolio accounting

  The Company enters into contracts with customers, which have similar characteristics. Under IFRS 15, an entity can choose to apply it to a portfolio of contracts or performance obligations with similar characteristics if the outcome is not materially different than contract-by-contract accounting by:

  - An evaluation of which items constitute a portfolio considering, for example, the impact of different offerings, periods of time, geographic locations and contract modifications;
  - An assessment, on an ongoing basis, whether the portfolio approach gives a materially different result;
  - Exercise of judgement in determining when the portfolio approach may be appropriate, including considering whether any customer-specific agreements would be eligible.

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

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

Upgrade rights

The Company offers early upgrade rights for additional services. This will require the Company to determine the appropriate 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.

Customer retention discounts

Even if customer retention discounts are not explicit in the contract, customary business practice could mean that fixed consideration is, in substance, variable. Alternatively, such discounts could be viewed as contract modifications. IFRS 15 requires an assessment as to whether the discount is variable consideration or a contract modification. This will require judgement and may impact the timing of revenue recognition. IFRS 15 requires an assessment as to whether promotional offers to current customers are contract modifications or marketing transactions and set up processes and systems capable of tracking and monitoring all discounts, concessions and promotional offers granted to customers.

Significant financing component

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

Commissions and other contract costs

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the statement of financial position and amortized as revenue is recognized under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees. However, a company may choose to expense contract acquisition costs if the amortization period of the resulting asset is one year or less.

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

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2018 (Continued)

Transition options

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. - Alternatively, IFRS 15 may be adopted as of the application date, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

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 and its impact will be disclosed in the first interim financial information as of March 31, 2018 that includes the effects of it application from the effective date.

- Amendments to IFRS 2 *Share Based Payment* regarding 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.

- Amendment to IFRS 4 *Insurance Contracts.* Amended by applying IFRS 9 with IFRS 4. Temporary exemption and the overlay approach.

- Amendments to IAS 28 *Investments in Associates and Joint Ventures.* Amended by 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRS and interpretations in issue but not yet effective (continued)

Effective for annual periods beginning on or after January 1, 2019

- 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 is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

- IFRIC 23 The Interpretation clarifies the accounting for *Uncertainty Over Income Tax Treatments.*

- Amendments to IAS 28 *Investments in Associates and Joint Ventures.* Amended by Long Term Interests in Associates and Joint Ventures.

- Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.

- IFRS 17 *Insurance Contracts*. Supersedes IFRS 4 *Insurance Contracts*. IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Effective for annual periods beginning on or after January 1, 2021

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011). Amendments relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is still permitted

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 may have no material impact on the financial statements of the Company's in the period of initial application, except for IFRS 9, 15 and 16 which impact is discussed above.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Revenue

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

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

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

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 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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (Continued)

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.

Trading revenue

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

Interest income

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

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 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 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

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. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets (Continued)

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.

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-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.

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 recognized in profit or loss.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition 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.

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

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.

Derecognition of financial liabilities: The Company derecognizes 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 recognized in profit or loss.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

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.

5. CASH AND BANKS

	2017	2016
	BD '000	BD '000
Cash and current accounts with banks	1,493	4,983
Items under collection	419	381
Cash and Banks	**1,912**	**5,364**

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET)

	2017	2016
	BD '000	BD '000
Trade receivables:		
Post paid subscribers (6.1)	20,911	21,319
Roaming partners (6.2)	2,281	2,353
Allowance for impairment	(10,408)	(9,468)
	12,784	14,204
Instalment sales receivable	7,728	677
Due from distributors	130	397
Interconnect receivables from other operators	2,943	2,441
Accrued income (Note 6.3)	261	178
	23,846	17,897
Other assets:		
Prepaid expenses	1,874	806
Due from related parties (Note 19)	15	15
Sundry receivables and advance payments	1,025	1,631
Staff receivables	92	79
Portfolio under management (6.4)	912	912
Allowance for impairment	(122)	(122)
	3,796	3,321
	27,642	**21,218**

Trade receivables do not include financing component, are uncollateralized and denominated in Bahraini Dinars.

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

	2017	2016
	BD '000	BD '000
Post paid subscribers (collectively assessed for impairment)	10,169	9,229
Roaming partner (individually assessed for impairment)	239	239
Other receivables (individually assessed for impairment)	122	122
	10,530	**9,590**

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET) (CONTINUED)

The movement of the allowance for impairment of receivables is as follows:

	2017	2016
	BD '000	BD '000
Balance beginning of year	9,590	8,594
Charge for the year	940	1,022
Write off	-	(26)
Balance end of year	**10,530**	**9,590**

The aging of receivables from post-paid subscribers is as follows as at December 31:

	2017		
	Gross exposure	Allowance	Net exposure
	BD '000	BD '000	BD '000
Up to 60 days	2,015	-	2,015
61 to 90 days	424	(35)	389
91 to 365 days	3,188	(940)	2,248
Above 1 year	15,284	(9,194)	6,090
	20,911	**(10,169)**	**10,742**

	2016		
	Gross exposure	Allowance	Net exposure
	BD '000	BD '000	BD '000
Up to 60 days	3,313	-	3,313
61 to 90 days	508	(38)	470
91 to 365 days	3,622	(789)	2,833
Above 1 year	13,876	(8,402)	5,474
	21,319	**(9,229)**	**12,090**

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS (NET) (CONTINUED)

6.1 Receivables from post-paid subscribers 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.
- 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, customers categorized under VIP category 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 Receivables from roaming partners are concentrated within a limited number of counterparties. These receivables are provided for impairment to the extent of BD 239 thousand (2016: BD 239 thousand).

6.3 Accrued income represents unbilled services provided during the year.

6.4 Subsequent to the listing of the Company's shares on the stock exchange, and as part of a regulatory requirement, the Company has entered into a Discretionary Portfolio Management Agreement with a third party market maker for a period of one year, subject to renewal. By virtue of the agreement, the market maker executes, against a management fee, buy and sell orders at its sole discretion to achieve share price stabilization and to facilitate the trading of shares. As at December 31, 2017, the portfolio under management includes cost of shares amounting to BD 754 thousand (2016: BD 754 thousand).

7. INVENTORIES

	2017	2016
	BD '000	BD '000
Handsets, accessories and others	5,735	4,572
Provision for obsolescence	(1,388)	(1,182)
	4,347	**3,390**

ZAIN BAHRAIN B.S.C.
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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
Cost:							
At January 1, 2016	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)	-
At December 31, 2016	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)
Adjusment	-	-	-	-	-	(695)	(695)
At December 31, 2017	3,025	84,125	35,844	2,788	17	6,109	131,908
Accumulated Depreciation:							
At January 1, 2016	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
At December 31, 2016	765	33,249	29,830	3,695	17	-	67,556
Disposal on depreciation	-	(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
Carrying amount:							
December 31, 2017	2,217	49,572	7,380	203	-	6,109	65,481
December 31, 2016	2,249	49,730	9,244	318	-	13,115	74,656

Capital work in progress mainly relates to network equipment in respect of network expansions and improvements. As at December 31, 2017 capital work in progress outstanding for more than one year amounted to approximately BD 1.526 million (2016: BD 2.483 million).

9. INTANGIBLE ASSETS

	National fixed wireless services license	4G Long Term Evolution license	Other licenses	Subscribers acquisition costs	Total
	BD'000	BD'000	BD'000	BD'000	BD'000
Cost					
As at January 1, 2016	5,576	957	378	72,392	79,303
Additions	-	-	1,258	10,009	11,267
As at December 31, 2016	5,576	957	1,636	82,401	90,570
Additions	-	-	-	1,235	1,235
As at December 31, 2017	5,576	957	1,636	83,636	91,805
Cumulative amortization					
As at January 1, 2016	3,309	144	378	62,637	66,468
Charge for the year	372	64	28	10,187	10,651
As at December 31, 2016	3,681	208	406	72,824	77,119
Charge for the year	372	64	84	7,341	7,861
As at December 31, 2017	4,053	272	490	80,165	84,980
Carrying values					
December 31, 2017	1,523	685	1,146	3,471	6,825
December 31, 2016	1,895	749	1,230	9,577	13,451

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.

The 4G Long Term Evolution ("4G LTE") license was acquired on September 19, 2013. Cost of BD 956,700 is amortized over the license period of 15 years.

Subscribers acquisition cost represent 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.

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10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2017	2016
	BD '000	BD '000
Due to suppliers	4,972	11,339
Accrued expenses	16,940	14,312
Interconnection payable	1,660	1,379
Due to roaming partners	1,853	2,237
Accrued employees' benefits	1,061	887
Due to related parties (Note 19)	7,497	8,682
Accrued Directors' remuneration	223	218
Deposits	24	40
Dividends payable	92	43
Interest payable	2	85
	34,324	**39,222**

11. TERM LOANS FROM BANKS

This caption represents the outstanding balance of one (2016: three) bank facilities denominated in Bahraini Dinars obtained in 2013 at interest rate of three-months BIBOR + 2.25% payable quarterly.

	2017	2016
	BD '000	BD '000
Current portion	1,875	7,786
Non-current portion	-	1,875
	1,875	**9,661**

Above loans are payable in eight semi-annual installments starting one year from the loans' agreement dates.

Interest expense on amounted to BD 281 thousand (2016: BD 562 thousand)

Settlements made during the year amounted to BD 7.786 million (2016: BD 7.786 million) which complete repayment of two loans in full.

The Company was compliant with the financial covenants as at year-end, which include:
- net borrowings to Earnings Before Interest Tax Depreciation and Amortization (EBITDA);
- minimum interest coverage;
- the Parent to be remained during the tenor of the loans;
- dividends in a year below the net profit of the particular year; and
- rout certain percentage of revenue through the respective bank

12. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2017	2016
	BD '000	BD '000
Balance beginning of year	300	285
Charge for the year	82	75
Settlements	(61)	(60)
Balance end of year	**321**	**300**

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:

		No. of shares	% of shareholding
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. ("Underwriter")	Bahrain	31,285,097	8.50%

Distribution of shares by shareholding brackets:

Brackets	% of total shares		No. of shareholders	
	2017	2016	2017	2016
Less than 1%	14%	13%	467	475
1 % up to less than 5%	6%	8%	4	5
5 % up to less than 10%	9%	8%	1	1
10 % up to less than 20%	16%	16%	1	1
More than 50%	55%	55%	1	1
			474	483

Dividends

The annual general meeting of shareholders held on March 22, 2017 approved the distribution of cash dividends of 5 fils per share totaling BD 1,840,000 (2016: 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. Share premium is not available for distribution.

15. 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.

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 13.877 million (2016: BD 1.895 million).

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2017	2016
	BD'000	BD'000
Staff costs	7,228	6,961
Rent	4,975	4,738
Management fees (Note 19)	2,236	1,976
Directors' remuneration (Note 19)	223	218
Other	14,330	13,526
	28,992	**27,419**

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.

18. EARNINGS PER SHARE

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

	2017	2016
	BD '000	
Profit for the year	4,306	4,254
	Number of shares	
Weighted average number of shares in issue	368,000,000	368,000,000
	Fils	
Basic and diluted earnings per share	12	12

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

19. 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:

	2017	2016
	BD '000	BD '000
Office rent and maintenance costs	980	980
Site and outlet rent	33	49
Management fees (Note 17)	2,236	1,976

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 (2016: BD 218 thousand) (Notes 10 & 17).

In addition to the above, the Company provides telecommunications services to related parties.

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

	2017	2016
	BD '000	BD '000
Short-term benefits	1,243	1,165
Other long-term benefits	101	95
	1,344	**1,260**

19. RELATED PARTIES (CONTINUED)

Balances with related parties are as follows:

	2017	2016
	BD '000	BD '000
Due from related parties (Note 6):		
Sudanese Mobile Telephone Company Ltd	13	13
Zain – South Sudan	1	1
Zain – Lebanon	1	1
	15	**15**
Due to related parties (Note 10):		
Zain Group Holding-Bahrain S.P.C.	7,481	8,679
Zain – Jordan	16	3
	7,497	**8,682**

20. 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.

21. COMMITMENTS AND CONTINGENCIES

As of the yearend, the Company had the following outstanding items:

	2017	2016
	BD '000	BD '000
Letters of guarantee	532	716
Letters of credit	1,885	1,132
Capital expenditures	507	7,641

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.

21. COMMITMENTS AND CONTINGENCIES (CONTINUED)

	2017	2016
	BD '000	BD '000
Recognized in expense:		
Minimum lease payments	4,975	4,737
Operating lease commitments:		
Within one year	4,555	4,172
Between one to five years	10,417	7,784
Beyond five years	7,047	2,935
	22,019	14,891

Other financial commitments outstanding at the reporting date are BD 1,370,000 (2016: BD 728,000).

22. FINANCIAL INSTRUMENTS

The Company's financial assets are categorized as loans and receivables and its financial liabilities are at amortized cost:

	2017	2016
	BD '000	BD '000
Financial assets		
Cash and banks	1,912	5,364
Accounts receivable and other assets	25,863	19,436
Total financial assets	**27,775**	**24,800**
Financial liabilities		
Accounts payable and other liabilities	34,324	39,222
Term loans from banks	1,875	9,661
Total financial liabilities	**36,199**	**48,883**

The Company's use of financial instruments exposes it to a variety of financial risks such as market 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 analyse 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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

The significant risks that the Company is exposed to are discussed below:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Company to credit risk, consist principally of cash with banks and trade and other receivables. The Company manages this risk by placing liquid funds with financial institutions of good financial standing. The Company monitors trade receivables through aging reports of various categories of customers and uses experienced collection agencies.

The maximum exposure to credit risk is limited to the carrying values of its financial assets, in addition to the commitments under letters of guarantee disclosed in Note 21 and employee saving scheme fund balances maintained with local banks.

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.

The Company's financial assets and liabilities are allocated by currency as follows:

	2017			
	Bahraini Dinar	**U.S Dollar**	**Euro**	**Total**
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash and banks	1,386	526	-	1,912
Accounts receivable and other assets	22,149	3,518	196	25,863
	23,535	**4,044**	**196**	**27,775**
Financial liabilities				
Accounts payable and other liabilities	18,886	15,250	188	34,324
Term loans from banks	1,875	-	-	1,875
	20,761	**15,250**	**188**	**36,199**
Net position	**2,774**	**(11,206)**	**8**	**(8,424)**

22. FINANCIAL INSTRUMENTS (CONTINUED)

	2016			
	Bahraini Dinar	**U.S Dollar**	**Euro**	**Total**
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash and banks	4,220	1,144	-	5,364
Accounts receivable and other assets	16,021	3,211	204	19,436
	20,241	**4,355**	**204**	**24,800**
Financial liabilities				
Accounts payable and other liabilities	17,078	21,920	224	39,222
Term loans from banks	9,661	-	-	9,661
	26,739	**21,920**	**224**	**48,883**
Net position	**(6,498)**	**(17,565)**	**(20)**	**(24,083)**

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's interest rate risk arises from short-term bank deposits and banks' borrowings. Term borrowings from banks are at variable rates, which expose the Company to cash flow interest rate risk (Note 11).

At December 31, 2017, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, profit for the year would have been lower/higher by BD 9 thousand (2016: BD 48 thousand).

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.

The Company has unutilised bank overdraft facility of BD 2.5 million (2016: BD 2.5 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:

22. FINANCIAL INSTRUMENTS (CONTINUED)

	2017			
	Less than 1 month	**1 – 3 months**	**3 – 12 months**	**1 - 5 years**
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	4,120	7,878	8,612	13,714
Term loans from banks	-	959	970	-
	4,120	**8,837**	**9,582**	**13,714**

	2016			
	Less than 1 month	**1 – 3 months**	**3 -12 months**	**1 - 5 years**
	BD '000	BD '000	BD '000	BD '000
Accounts payable and other liabilities	6,563	11,958	17,329	3,372
Term loans from banks	34	2,342	5,669	1,915
	6,597	**14,300**	**22,998**	**5,287**

23. 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. This is based on level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

24. 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.

Below is the gearing ratio at the reporting date. This ratio is calculated as net debt divided by total capital. Net debt represents total borrowings less cash and cash equivalents. Total capital includes equity plus net debt.

24. CAPITAL RISK MANAGEMENT (CONTINUED)

	2017	2016
	BD '000	BD '000
Borrowings from banks (Note 11)	1,875	9,661
Less: Cash and cash equivalents (Note 5)	(1,912)	(5,364)
Net debt	**(37)**	**4,297**
Total equity	67,820	65,354
Total capital	**67,749**	**69,651**
Gearing ratio	-	6.17%

25. STATEMENT OF CASH FLOWS

The following non-cash transactions were excluded from the investing and operating activities in the statement of cash flows:

	2017	2016
	BD '000	BD '000
Purchase of intangible assets	-	1,258
Purchase of property and equipment	-	5,976
Disposal and adjustment of property and equipment	5,771	-